

41st Annual Report of the California Horse Racing Board

A Summary of
Fiscal Year 2010–11 Revenue and
Calendar Year 2011 racing in California

California Horse Racing Board

Keith Brackpool, Chairman
David Israel, Vice Chairman
Jesse H. Choper, Member
Bo Derek, Member
Jerry Moss, Member
Richard Rosenberg, Member
Kirk E. Breed, Executive Director
Jacqueline Wagner, Asst. Exec. Director

This report covers the fiscal year (July 1, 2010, through June 30, 2011) for revenue purposes, including pari-mutuel handle, fines, taxes, license fees, and the distribution of funds, as well as the Postmortem Program report. The report covers the 2011 calendar year for reports on race meets and CHRB meetings.

The CHRB general office is located at 1010 Hurley Way, Suite 300, Sacramento, CA 95825. Field offices are located at all operating racetracks.

Annual reports can be viewed on the Internet by visiting our Website at www.chrb.ca.gov and clicking on "Publications."

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REPORT OF THE CHAIRMAN



In my Chairman's letter of this time last year, I wrote that, while times continued to be challenging, there were developments that gave cause for optimism. Both forecasts turned out to be true, and it would be appropriate to face the coming year with a similar view.

Handle continued to suffer as the economy continued to struggle. This is a national phenomenon and one that won't change substantially for the better without a real bounce in the economy. However, tough times call for innovative thinking and marketing, and we certainly have begun to see positive results from the related new initiatives. While it's true that a large majority of handle is now generated off track, primarily through Advance Deposit Wagering, we must continue to strive for real improvement with the experience a fan gets when attending the track. Several of the racetracks in California, especially the racing fairs, have made extraordinary efforts over the last couple of years in this regard, and their success is to be applauded. We must never forget, it is the live experience that turns a casual spectator into a lifelong fan.

As I wrote last year, the California Legislature approved SB 1072 in September of 2011 and the bill was signed by then Governor Schwarzenegger the same month. This new law includes provisions for higher purses for horse owners and also earmarks marketing funds to attract the Breeders' Cup back to California. Higher purse money is a necessity in this State, as we are one of the few major racing jurisdictions that cannot and does not rely on subsidies from some other form of gambling, such as slot machines, etc. Without competitive purses, our field sizes would dwindle and then handle would follow, resulting in a self-perpetuating downward cycle. I am pleased to report that with purse money up an average of 25 percent from the previous year, we enjoyed not only increased field size but by the end of 2011 we had a considerable increase in the number of horses in training. Most tracks ended their meets with underpayments in purses, thereby giving us some optimism that the increases in both purses and field size can be maintained.

Of course, one of the highlights of the year was winning the Breeders' Cup World Championships back to Southern California for 2012. The event will be held this November at the magnificent facility of Santa Anita. The bid process was highly competitive, and therefore our selection reflects well on all involved in racing here.

In closing, therefore, I remain cautiously optimistic about our prospects for continued improvement in 2012. I would be remiss if I didn't use this opportunity to again sincerely thank each and everyone involved in horse racing for their seemingly endless and tireless efforts in helping to keep our great sport on the right course. On behalf of all my fellow commissioners, we tip our collective hat to you.

A handwritten signature in blue ink, which appears to read "Keith Brackpool". The signature is stylized with large, sweeping loops.

Keith Brackpool
Chairman

Recommendations and Strategies

Business and Professions Code Section 19441 requires the California Horse Racing Board to annually make a full report to the Governor and the Legislature of its proceedings and the state of the business of horse racing for the preceding fiscal year, including recommendations deemed needed for improved functioning of the horse racing laws. Business and Professions Code Section 19441.2 requires the Board to include a tabulation of injuries, fatalities, and comparative accident rates for all racing and training venues within its jurisdiction along with recommendations concerning the worker safety impacts of improvements in racetrack design, jockey equipment, racing procedures, and track and facility maintenance.

Last year, the Board reported its intention to develop and implement strategies to improve jockey and equine safety by maximizing the innovative CHRB-CAHFS/UC Davis necropsy program to better understand the pathophysiology and biomechanics of racing injuries; investigating and analyzing racing and training accidents, injuries, and fatalities; monitoring, analyzing, and making recommendations to improve veterinary and training practices; monitoring, analyzing, and making recommendations to improve drug testing and medication practices; developing and adopting safety standards for evaluation and control of track surfaces; monitoring, analyzing, and making recommendations to improve track surface material and maintenance procedures; and developing continuing education programs for licensees responsible for horse care.

The CHRB began implementing these strategies with positive results. These results and program details are contained in the following sections of this Annual Report: Racing Supervision (page 19), Racing Safety Program (page 22), Equine Postmortem Program (page 23), and Fatalities Chart (page 24).

These efforts to improve jockey and equine safety are part of a multi-year program that will continue to be funded by the CHRB in 2012.

The Board also reported its intention to ensure that adequate funds are being devoted to marketing horse racing in California by revising the application for licensure to operate a race meet by requiring each applicant to submit its audited financial statements, including a statement of financial position, statement of activities, and statement of cash flows relating to the specific race meet in the license application, thereby enabling the Board to determine – in the judgment of the racing commissioners – if the applicant is spending enough to promote horse racing. This requirement was approved by the Board, and the financial information is now part of the licensing process.

The Board also expressed its intention to develop and implement a strategy to increase attendance at brick-and-mortar wagering facilities in the state. This effort is ongoing. In the coming year, the Board intends to expand its regulations pertaining to the conditions and operation of simulcast wagering facilities and to improve the procedures for applying for license to operate a mini-satellite facility.

The Board is in the process of developing regulations for the implementation and oversight of exchange wagering, as authorized and required of the Board last year by SB 1072. The CHRB will have the regulatory framework in place, so that exchange wagering can begin if and when horsemen, racetracks, and exchange wagering providers reach agreement on key issues.

The Board also recommends the passage of legislation providing for the retraining of racehorses for new careers at the conclusion of their racing careers and providing for increased sanctuaries for other retired racehorses.

Names and Locations of Racing and Training Facilities Regulated by the California Horse Racing Board

All of these locations except San Luis Rey Downs, a private training facility,
are open during their off seasons for simulcast wagering.



Names and Locations of Simulcast-Only Facilities Regulated by the California Horse Racing Board



The California Horse Racing Board

History and Mission Statement

Horse racing has been taking place in California since the 1800s, but horse racing as we now know it — under the pari-mutuel wagering system — was not made possible until the electorate passed a Constitutional Amendment in 1933. The Horse Racing Law has since been regularly modified, amended, and enhanced to provide for regulation of live racing, off-track wagering, interstate and international wagering, and online account wagering, known as Advance Deposit Wagering, or ADW.

The expressed intent of the Horse Racing Law is to allow pari-mutuel wagering on horse races and:

- Assure protection of the public.
- Encourage agriculture and the breeding of horses in this state.
- Provide uniformity of regulation for each type of horse racing.
- Provide for maximum expansion of horse-racing opportunities in the public interest.

To accomplish these objectives, the Constitutional Amendment authorized pari-mutuel wagering on the results of horse races at licensed race meetings and created the California Horse Racing Board (CHRB/Board) to oversee the industry's activities in this state. In addition, as a member of the Association of Racing Commissioners International (RCI), the Board exchanges information on licensees and disciplinary proceedings with other commissions of the RCI through the National State Racing Information System.

The Board is a seven-member commission appointed by the Governor. It di-

rects a statewide staff in the licensure and oversight of all race meetings in the state where pari-mutuel wagering is conducted, as well as off-site simulcast wagering locations and ADW companies.

Mission Statement: The mission of the California Horse Racing Board is to ensure the integrity, viability, and safety of the California horse-racing industry by regulating pari-mutuel wagering for the protection of the public, promoting horse racing, breeding, and wagering opportunities, and fostering safe racing through the development and enforcement of track safety standards and regulations for the health and welfare of all participants.

Principal activities of the Board include:

- Adopting rules and regulations to protect the public and ensure the safety of the human and equine participants.
- Licensing racing associations and racing-industry participants and officials.
- Allocating racing days and charity days conducted by racing associations and fairs.

- Encouraging innovative expansion of wagering opportunities, such as minisatellites.
- Monitoring and auditing pari-mutuel handle and takeout, and the appropriate use of takeout distributions.
- Assessing racing surfaces to determine safety standards for the benefit of the participants.
- Enforcing laws, rules, and regulations pertaining to horse racing in California.
- Acting as a quasi-judicial body in matters pertaining to horse-racing meets.
- Collecting the State's lawful share of revenue derived from horse-racing meets.

The following pages explore some of these programs and functions in more depth.

Members of the California Horse Racing Board

The California Horse Racing Board consists of seven members appointed by the Governor, generally to four-year terms, who are subject to Senate confirmation. Members are eligible for reappointment at the discretion of the Governor. The terms are specific; no more than two of the terms expire in any calendar year.

At least four members of the Board must concur in the taking of any official action or in the exercise of any of the Board's duties, powers, or functions. The member commissioners elect their chairman, who presides over meetings of the Board. The members also elect a vice chairman to preside in the absence of the chairman.

Commissioners receive a per diem of \$100 for each day spent in attendance

at meetings and are reimbursed for traveling and other expenses necessarily incurred in the performance of their official duties.

Committees of the Board

In accordance with the Bagley-Keene Open Meeting Act, the executive director is directed to provide public notice of a meeting of a standing committee, other than a meeting of the Stewards'

Committee. Whenever a Board quorum is expected at any meeting of a committee, the executive director shall give notice that the meeting is a Special Meeting of the California Horse Racing Board limited to the agenda, the items to be discussed at the meeting, and the expected commissioners in attendance so that legal notice may be published.



**Keith Brackpool,
Chairman**

Co-founder of Cadiz, Inc., a publicly held land and water resource management company.

Appointed to the CHRB by Governor Arnold Schwarzenegger on September 24, 2009, through July 26, 2013. CHRB Chairman in 2010 and 2011.



**David Israel,
Vice Chairman**

Former syndicated newspaper columnist, now a television and movie writer and producer, president of Contentious Content Creation & Pictures, Ltd. Appointed to the CHRB by Governor Arnold Schwarzenegger on July 15, 2008.

Reappointed by Gov. Schwarzenegger through January 1, 2014. CHRB Vice Chairman in 2009, 2010, and 2011.

Members of the California Horse Racing Board



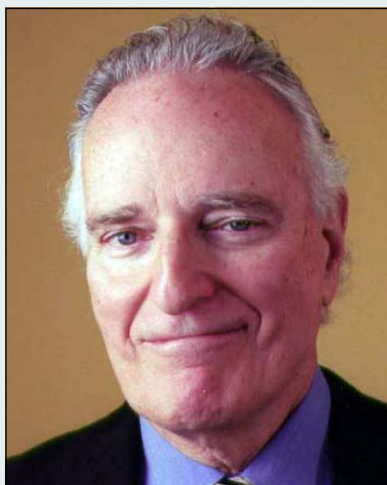
**Jesse H. Choper,
Member**

Earl Warren Professor of Law at the University of California, Berkeley. Appointed to the CHRB by Governor Arnold Schwarzenegger on March 30, 2007. Reappointed by Gov. Schwarzenegger through January 1, 2015.



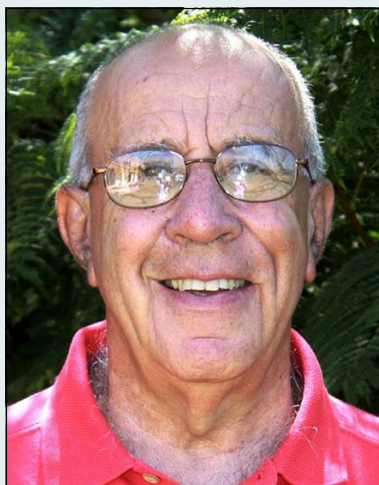
**Bo Derek,
Member**

Actress, active in humanitarian efforts for people and animals. Appointed to the CHRB by Governor Arnold Schwarzenegger on July 15, 2008. Reappointed by Gov. Schwarzenegger through January 1, 2014.



**Jerry Moss,
Member**

Co-founder of A&M Records and Rondor Music. Appointed to the CHRB by Governor Arnold Schwarzenegger on February 24, 2004, through January 1, 2008. Reappointed by Gov. Schwarzenegger through January 1, 2012.



**Richard Rosenberg,
Member**

Former worldwide head of the Music Department of the William Morris Agency, later became a member of the executive committee. Appointed to the CHRB by Governor Arnold Schwarzenegger on September 24, 2009, through July 26, 2012.



**John C. Harris,
Former Member**

Chairman and CEO of Harris Farms, Inc. Appointed to the CHRB by Governor Gray Davis on November 9, 2000. Reappointed by Gov. Davis, and then by Gov. Arnold Schwarzenegger through July 26, 2011. CHRB Chairman in 2004, 2005, and 2009.

Board and Committee Meetings

California racing commissioners met 13 times throughout the state during 2011 either as the full Board or as a Committee. Board and noticed Committee meetings are open to the public and include a published agenda. The following 11 Board meetings were held:

January 20, 2011
Santa Anita Park

February 17, 2011
Santa Anita Park

March 14, 2011
Santa Anita Park

April 28, 2011
Hollywood Park

May 26, 2011
Golden Gate Fields

June 23, 2011
Hollywood Park

July 21, 2011
Del Mar Simulcast Facility

August 25, 2011
Del Mar Simulcast Facility

October 6, 2011
Santa Anita Park

November 17, 2011
Hollywood Park

December 18, 2011
Hollywood Park

Medication and Track Safety Committee

The Medication and Track Safety Committee met twice in 2011, with Commissioner Bo Derek as chairperson and Commissioner John Harris as member. The first meeting was held at Santa Anita on April 8, 2011. The committee approved an amendment to be sent to the Board to void claims on horses with certain injuries incurred during the running of the race. The issue of voiding claims on injured horses has been discussed nationally. The intent is to remove any incentive to race a horse in less than optimal condition in hopes the horse will be claimed. The Board approved a modified version of the committee's recommended amendment.

The committee also approved and sent to the Board revisions to permitted levels of the non-steroidal anti-inflammatory drugs flunixin and phenylbutazone to bring California in compliance with ARCI model rules. The related penalty structure was also modified consistent with the changes. The

Board approved this amendment unchanged. The new rule is expected to go into effect early in 2012.

Medical records were discussed in relation to their transfer for claimed horses and deceased horses. Both proposals received strong objections from veterinarians, owners, and trainers and were held over for further discussion and revisions.

The committee received a report and update regarding a proposal for a joint effort between the CHRB and UC Davis School of Veterinary Medicine to determine the cause of racing injuries and fatalities with the goal of developing strategies to improve the detection and prevention of injuries. The Board ultimately approved funding for the program in June.

The committee met again August 26, 2011, at Del Mar on several issues. The committee received an update on the national debate on race-day medication. The committee expressed an in-

terest in continuing to examine the race-day medication issue, especially recommendations from the ARCI on race-day medication administration restrictions.

The medical record discussion continued with a proposed amendment being sent to the Board. The Board did not approve the amendment, which was sent back to the committee for further consideration.

The committee approved to be sent to the Board an amendment to CHRB Rule 1843.3 to increase penalties for repeat offenders with Class 1, 2 or 3 violations. The Board will hear the proposed amendment in 2012.

The committee discussed a number of other integrity, horse welfare, drug testing, veterinary care, track surface, and safety issues. The complete agendas and meeting packets are available on the CHRB website under Board.

CHRB Operating Budget

July 1, 2010 – June 30, 2011

Appropriations	Item	Total
Personal Services	\$4,082,092	
Operating Expenses	7,249,850	
Total Appropriation		\$11,331,942
Expenditures — Personal Services		
Salaries and Wages	2,865,937	
Staff Benefits	1,046,775	
Total Personal Services		\$3,912,712
Operating Expenses and Equipment		
General Expense	248,721	
Printing	15,601	
Communications	98,875	
Postage	35,000	
Travel-in-State	178,469	
Travel-out-of-State	7,674	
Training	21,275	
Facilities Operation	163,847	
Contractual & Professional Services-Interdepartmental	3,084,034	
Contractual & Professional Services-External	2,812,018	
Consolidated data center	216,000	
Central Administration Services: Pro Rata	334,276	
Equipment	46,224	
Tort Payments	11,254	
Total Operating Expenses and Equipment		\$7,273,268
Total Expenditures		* \$11,185,979
Unexpended Balance FY 2010-11		145,963
Total Expenditures & Unexpended Balance		\$11,331,942

* Includes year-end accruals

During 2009 the CHRB entered into a new era of funding for its safety, regulatory, and oversight practices. Senate Bill 16-2X created a mechanism by which the CHRB would develop a funding formula based on the last completed year's license fee revenue. Each racing association and fair would pay license fees based on a reduced percentage of what would have been required without this bill. Board staff developed a model that was shared in consultation with industry representatives who agreed and implemented the methodology. As a result, the CHRB receives its full budgeted funding, and the industry receives approximately \$20 million in license fee relief, annually, split between purses for the horsemen and commissions for the associations and racing fairs.

State Operations

Horse racing's specialized and complex regulatory requirements drive the Board's organizational structure and determine the responsibilities for its operational divisions.

The Board appoints an executive director to carry out its objectives. The executive director, Kirk Breed, is responsible for the department's operations and regulation of the horse-racing industry. Breed is supported in this regard by the assistant executive director, Jacqueline Wagner; by the general

counsel, Robert Miller, as well as by supervisory personnel and staff at CHRB offices and at all of the state's racetracks.

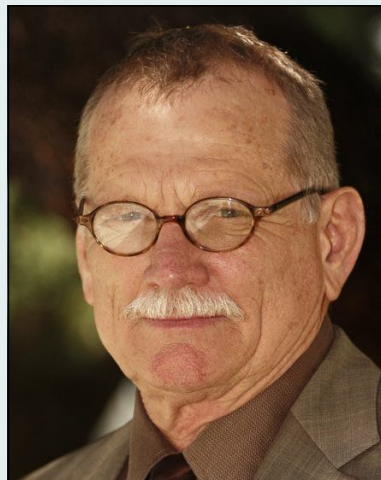
The executive and management team plans and oversees the Board's budget and directs the department's operational divisions: Administrative Services, Legislation and Regulations, Audits, Licensing, Information Technology, and Enforcement.

Horse racing's dynamics, complexity, and broad geographical base place a tremendous responsibility on the

Board's staff. To assist in this day-to-day oversight, the Board contracts with stewards and veterinarians for on-track activities, and with the University of California, Davis, for drug testing and safety-related services.

The horse-racing industry operates seven days a week — 365 days a year. Even when there is no live racing, the stable areas and training facilities remain active. To meet the demands associated with this schedule, the executives and key managers remain available at any hour of the day.

**Kirk E. Breed,
Executive Director**
Appointed February 25,
2008. Previously a lobbyist in
Sacramento specializing in
horse-racing matters.



Enacted Legislation

The following six horse-racing bills were chaptered in 2011:

SB 305 – Senator Ronald Calderon; Chapter 334

Changes the license term for minisatellite wagering facilities from two years to up to five years and deletes obsolete language that requires the California Horse Racing Board to adopt emergency regulations to implement minisatellite wagering facilities on or before April 1, 2008.

SB 732 – Senator Mark Wyland; Chapter 156

Removes the requirement that a thoroughbred racing association in the northern zone provide, at the option of the horse owner, vanning of participating race horses from a CHRB-approved offsite stabling facility in the northern zone, and instead provides that, subject to the availability of funds, at the option of the horse owner, northern zone racing associations may provide vanning of participating race horses from any CHRB-approved offsite stabling facility.

AB 270 – Assembly Member Henry T. Perea; Chapter 393

Allows the board of directors of a fair satellite wagering facility that generates less than ten million dollars annually in total handle to elect not to be subject to the requirements that provide for the position of a satellite facility supervisor, if after properly notifying the CHRB of its intent, and after holding a public hearing, it deems those requirements are not economically feasible. The fair must continue to abide by all rules, regulations, and laws pertaining to the satellite facility, and it must designate who will assume the responsibilities of the satellite facility supervisor.

AB 280 – Assembly Member Jim Silva; Chapter 98

Changes the definition of a California-bred standardbred horse by deleting the requirement that a standardbred foal be conceived in California in order to qualify for the California Standardbred Sires Stakes Program, deletes the minimum base purse requirements for all 2- and 3-year-old standardbred races, and makes a technical, non-substantive change to a provision relating to altering or counterfeiting, or attempting to alter or counterfeit, any pari-mutual ticket.

AB 707 – Assembly Member Martin Garrick; Chapter 84

This urgency bill increases from 32 to 50 the total number of out-of-state thoroughbred races that may be imported per day by a thoroughbred racing association or fair that is conducting a live race meeting.

AB 897– Assembly Member Isadore Hall III; Chapter 225

Authorizes the CHRB to permit a California quarter horse racing association to accept wagers on the full card of races conducted by another racing association on the day that other association conducts the Texas Classic Futurity and the Remington Park Futurity.

Regulatory Changes

The following rules were amended, repealed, or added during 2011:

Rule 1433

Application for License to Conduct a Horse Racing Meeting: Application forms CHRB-17 Application for License to Operate a Horse Racing Meeting and CHRB-18 Application for License to Operate a Horse Racing Meeting of a California Fair were amended to require more detailed financial information, as well as information regarding purse figures, attendance for past and current meetings, information regarding staffing of ambulance staff, and information about the applicant's promotional and marketing plans.

Rule 1498

Physical Examination: Amended to require drug testing to screen for specified substances at the annual jockey/driver physical examination.

Rule 1500.1

Random Drug Testing: Amended to provide that jockeys, apprentice jockeys, and drivers are subject to random drug testing as well as testing for cause. The regulation establishes a split sample procedure if a positive result is obtained.

Rule 1606

Coupling of Horses: Amended to remove the provision that requires coupling of horses owned in whole or in part by the same person or persons. A new subsection 1606(a) was added to require the racing associations to inform the public when two or more horses, entered in the same race, are owned in whole or in part by the same person or persons, or when two or more horses, entered in the same race, are trained by the same trainer.

Rule 1974

Wagering Interest: Amended to remove the reference to horses coupled as a single wagering interest. A new subsection 1974(b) was added to provide that if a horse is improperly removed from a wagering pool due to a totalizator error or another unjustified reason, and the owner and trainer are not at fault, the horse shall compete as a non-wagering interest for the purse only. A new subsection 1974(c) requires the racing association to inform the public if a horse runs for purse only.

NOTE: The amendments to Rule 1606 and Rule 1974 impacted the following CHRB regulations: 1954.1, Parlay Wagering on Win, Place or Show; 1957, Daily Double; 1959, Special Quinella (Exacta); 1976, Unlimited Sweepstakes; 1976.8, Place Pick (n); 1976.9, Pick (n) Pool; 1977, Pick Three; 1978, Select Four; 1979, Trifecta; 1979.1, Superfecta.

Rule 1632

Jockey's Riding Fee: Amended to raise non-winning jockey riding fees by \$10 in accordance with Business and Professions Code section 19501. Riding fees paid for jockeys finishing second and third in a race were increased by \$5 except for jockeys finishing third in races paying \$5,000 to \$9,999. The fee for such third-place mounts was increased by \$7 so that the third-place mount continues to pay more than the losing mount.

Rule 1658

Vesting of Title to Claimed Horse: Amended to provide that title to a horse which has been claimed shall be vested in the successful claimant from the time the field has been dispatched from the starting gate; however, if the horse suffers a fatality during the running of the race or before the horse is returned to be unsaddled, the stewards shall void the claim.

Rule 1844.1

Suspension of Authorized Medication: Amended to provide that the Board may temporarily suspend the authorized administration to a horse entered to race of any drug, substance, or medication that is authorized for use under Board Rule 1844, Authorized Medication. The suspension shall not exceed 12 months, and written notice must be provided of the suspension.

Rule 1876

Financial Responsibility: Amended to 1) outline the types of financial responsibility complaints the Board will consider; 2) clarify the requirement that the matter be directly related to California horse-racing operations and 3) add provisions to allow complaints submitted by equine medical hospitals, horse auctions, and horse farms as well as claims of unpaid wages between licensees of the Board to be accepted.

Licensing

The CHRB licensing unit, managed by a policy, regulations, and legislation manager, is comprised of one racing license supervisor and eight racing license technicians assigned to the thoroughbred, quarter horse, and harness venues. During a licensed racing meet at any of 12 racetracks in the state, a licensing field office of the Board is established at the operating facility.

The licensing unit issued 8,311 original, renewal, or duplicate licenses in FY 2010-11. Licenses issued included 3,242 new or renewal owner licenses, 323 new or renewal trainer or assistant trainer licenses, 105 new or renewal jockey or apprentice jockey licenses, 1,803 new or renewal groom or stable employee licenses, and 489 new or renewal pari-mutuel clerk licenses as well as many other classes of occupational licenses. The issuance of these licenses generated \$847,310 in licensing fee revenue for the General Fund.

The live-scan fingerprint technology and digital photograph identification card system continued to streamline the licensing process. The applicant's

fingerprints were digitally captured and the fingerprint image transmitted to the California Department of Justice and the Federal Bureau of Investigation National Crime Information Center (NCIC) databases. The NCIC database contains criminal history information from federal, state, local, U.S. territory, and foreign criminal justice agencies as well as authorized courts. License applicants were screened for disqualifying criminal histories by querying these automated criminal history records. Additionally, all CHRB licensees were subjected to the same criminal history checks upon scheduled license renewal intervals.

The licensing staff verified that all licensed trainers had the required workers' compensation insurance. The rac-

ing program was checked daily to ensure that participants were properly licensed. Racing license technicians are trained on the complex circumstances of multiple partnerships, racing syndications, stable names, and various types of corporations, so they were able to explain the requirements to applicants and assist them in selecting the type of license that best met their needs. As part of the verification process, the racing license technicians utilized computer databases, consulted with other racing jurisdictions, and also worked closely with CHRB enforcement personnel.

Appointed CHRB Officials — FY 2010–11

STEWARDS

Grant Baker
Scott Chaney
Albert Christiansen
James Dreyer
John Herbuveaux
Steffan Imhoff
Luis Jauregui

Thomas McCarthy
Darrel McHargue
William Meyers
Rueben Moreno
Dennis Nevin
Paul Nicolo
Wayne Oke

Brent McLaren
Jeffery Salmon
Kim Sawyer
George Slender
Thomas Ward
Randy Winick

OFFICIAL VETERINARIANS

Dr. Jill Bailey
Dr. Gary Beck
Dr. B. William Bell
Dr. Donald Dooley

Dr. Forrest Franklin
Dr. Jennifer Durenberger
Dr. Robert Goodbary
Dr. Barrie Grant

Dr. Sidney Gustafson
Dr. Heather Kerr

VETERINARIAN'S ASSISTANT

Kristin Grimsrud

Racing Supervision

The responsibility for onsite supervision of race meetings is placed with racing officials appointed or approved by the Board. The racing officials are the stewards, safety stewards, paddock judges, patrol judges, starters, clerks of scales, official veterinarians, racing veterinarians, horse identifiers, horseshoe inspectors, and timers. The stewards have overall responsibility for the conduct of the race meetings.

The Board selects and contracts with stewards based on their experience and expertise. Each panel of three stewards at a race meeting has been delegated the powers and duties necessary to ensure the integrity of racing and to oversee compliance with the Horse Racing Law and CHRB rules.

The Board directly appoints all stewards and official veterinarians, while the other racing officials are nominated by the racing associations subject to CHRB approval.

The Legislature provides an annual appropriation to meet the costs of direct racing supervision. The allocation for FY 2010-11 was \$1,875,000 for stewards and official veterinarians. Other racing officials were paid by the associations in the manner prescribed and agreed to by the Board.

Acting for the Board in matters relating to the race meetings assigned to them, the stewards used their delegated authority for the following:

- ◆ Oversaw entries, declarations, and the placing of horses for the official order of finish.
- ◆ Conducted administrative hearings on matters involving racing infractions and other offenses.
- ◆ Issued rulings based on those hearings to impose suspensions of license, impose fines, and/or bar individuals from the enclosure for racing offenses.
- ◆ Presided over exams required for certain classes of licenses.

- ◆ Made recommendations to the Board regarding the qualifications and fitness for licensure of applicants referred to them by the Board's licensing staff.

- ◆ Maintained minutes of all such proceedings for review by the Board and the public.

The stewards attended Stewards' Committee meetings, allowing them to discuss issues, rule changes, and interpretations of policy and to receive information. They shared their views and experiences relating to race reviews, veterinary practices, proper administrative hearing procedures, and other important work-related matters. The meetings helped them remain current on laws, regulations, and policies, helping ensure that all stewards' decisions are made in a fair and consistent manner throughout the state.

The official veterinarians, overseen by the Equine Medical Director (EMD, Dr. Rick Arthur), enforced CHRB regulations relating to veterinary practices, medication, and the health and welfare of the horse. They supervised operations of the receiving barn, the collection of urine and blood samples for testing, and the preparation and documentation of the samples to be transported to the laboratory.

The official veterinarians consulted with the EMD and track veterinarians, examined horses for fitness, maintained a health and racing soundness record for each racehorse eligible to compete at a meeting, reviewed confidential reports of veterinary treatments of horses under their general supervi-

sion; maintained records of infirm horses, accidents, and injuries; approved prescribed therapeutic treatment regimens; and otherwise acted as the Board's veterinary advisors for each race meeting.

The horse identifiers accurately identified all breeds of racehorses that had to be identified before starting in any race. The horse identifiers supervised the tattooing of horses and maintained that information in the identification records of each horse, along with photographs and other information relating to unique markings, color, pedigree, and a narrative description.

Safety stewards enforced compliance with safety standards. They also:

- ◆ Monitored training to ensure that exercise riders, outriders, and pony riders observed all rules.
- ◆ Established horse ambulance protocol for quick response during training and racing.
- ◆ Implemented use of certified paramedics on ambulance crews.
- ◆ Oversaw continuing education classes for provisional exercise riders and apprentice jockeys.
- ◆ Investigate all horse fatalities.
- ◆ Approved licenses for all riders.
- ◆ Conducted field sampling and testing for the Track Surface Standards program.

California Horse Racing Information Management System (CHRIMS)

California is the only state with a statewide pari-mutuel database providing services to racetracks, horsemen, and government. Services provided by CHRIMS include data collection, takeout calculation, database management, software development, pari-mutuel accounting, money room balancing, customer resource management, and statistical analysis.

CHRIMS is a not-for profit, mutual benefits corporation whose members include Northern California Off-Track Wagering Inc. and Southern California Off-Track Wagering Inc. An eight-member board of directors, which includes representatives from day and night racing associations, horsemen, and racing fairs, oversees the CHRIMS operation.

The CHRIMS databases contain California wagering and attendance data dating back to 1985. The database applications fulfill the various needs and demands related to elements such as pari-mutuel settlements and accounting, account wagering, net pool pricing, customer rewards, runner statistics, and trend analysis.

CHRIMS has been instrumental in helping the California racing industry cope with the demands associated with the huge challenges that have resulted from the changing landscape of pari-mutuel wagering during the past

20 years. Specialized applications enable data technicians to electronically collect wagering data and calculate the distribution of takeout based upon California pari-mutuel horse-racing law and contractual business rules.

Each day, CHRIMS downloads pari-mutuel data from various totalizator systems. This data includes wagers, takeout commissions, breakage, minus pools, runners pay, refunds, uncashed tickets, and vouchers information. The raw data is translated into the CHRIMS database parameters. CHRIMS data can be sorted by a myriad of criteria, including by race, pool, host track, location of bet, breed, zone, zip code, state, wagering device, and stop betting time. CHRIMS connects to and downloads data from AmTote, United Tote, and Sportech, and the three licensed California Advance Deposit Wagering (ADW) companies, which are TwinSpires, TVG, and XpressBet.

CHRIMS partners with the California Marketing Committee on its technology projects, manages the intrastate tote wagering telecommunications network, and provides data relating to the specifics of races (distance, surface, class, etc.) via downloads from Equibase. CHRIMS also provides services to racetracks outside California, including Gulfstream Park, Keeneland, Ellis Park, The Red Mile, Aqueduct, Belmont, Saratoga, Colonial Downs, Tampa Bay Downs, Louisiana Downs, Meadowlands, and Sam Houston Race Park.

CHRIMS processes host fees and settlements for European Wagering Services, Ellis Park, eBet Online, Louisiana Downs, and Sam Houston Race Park. CHRIMS Inc. receives a substantial portion of its funding from the unredeemed vouchers account. During 2010 this portion amounted to \$462,167.

Laboratory Services

To protect animal health and uphold the integrity of the racing industry, the California Horse Racing Board requires analysis of post-race blood and urine samples from horses in competition. The Kenneth L. Maddy Equine Analytical Chemistry Laboratory is the authorized equine drug-testing laboratory for California horse racing. The laboratory offers full-service, routine drug testing of over 82,000 samples each year. Program funding comes from a portion of California wagering revenues. Faculty and staff also develop highly specialized methods to document the effects of certain drugs and other substances on equine performance.

The CHRB analyzed 38,955 post-race urine and blood samples, including in-depth testing of 14,683 for anabolic steroids, 25,146 TCO2 blood samples, 702 out-of-competition blood samples, 106 evidence submissions, and 1,289 other samples for various purposes in FY 2010-11. The cost to the State of California was \$1,987,250.

Urine and blood samples are obtained post-race from the winner of every race, the horses finishing second and third in certain stakes races, and from any other horses selected at random from each program, as well as other horses designated by the stewards.

The testing of post-race samples is the backbone of the CHRB's drug regulation program. Post-race testing includes in-depth testing for over 50 androgenic anabolic steroids.

Thoroughbreds are subject to pre-race TCO2 testing to regulate bicarbonate loading, a prohibited practice known as "milkshaking." Harness horse TCO2 testing is done 90 minutes post-race on winners, while other horses are selected for testing both pre-race and post-race. The CHRB thoroughbred program is in compliance with the Racing Medication and Testing Consortium (RMTC) Best Practices recommendations and the Association of Racing Commissioners

International (RCI) model rule for TCO2 testing.

Out-of-competition testing was conducted throughout the fiscal year. Out-of-competition testing is critical for compliance in human sports testing and is absolutely necessary to detect certain prohibited drugs. Out-of-competition testing targeted blood doping agents such as erythropoietin and darb-erythropoietin. The program allows more in-depth analysis of routine samples and allowed the implementation of comprehensive androgenic anabolic steroid testing in FY 2009-10.

In addition, the Maddy Laboratory maintains a portion of every urine sample for retrospective testing should a new test become available. Through a grant from the RMTC funded by The Jockey Club, nearly 2,000 samples underwent retrospective testing for growth hormone in FY 2010-11. Combined with out-of-competition testing, the CHRB is positioned to be well prepared for the next generation of performance-enhancing drugs.

The Maddy Laboratory was re-accredited by the American Association for Laboratory Accreditation to the international ISO 17025:2005 standards and was the first laboratory in the U.S. to submit an application for the Drug Testing Initiative. The Maddy Laboratory utilizes state-of-the-art scientific instrumentation, including LC-MS

screening processes. The combined testing panel covers over 1,000 drugs utilizing a spectral library for forensic identification. The Maddy Laboratory routinely adds new drugs and updates its metabolite profiles as new information becomes available.

The CHRB uses scientific research data to make regulatory decisions. Researchers have evaluated the effects of prescribed medications, unauthorized drugs, and other substances on the performance of horses. Examples include determining the length of time required for clearance of androgenic anabolic steroids from a horse's system, potential performance effects of TCO2 levels on performance, and residue levels of therapeutic medications. In FY 2010-11, the Maddy Laboratory conducted research or published scientific papers on detomidine (Dormosadan Gel®), diclofenac (Surpass®), firocoxib (Equioxx®), yohimbine (Yobine®), butorphanol (Torbugesic), dantrolene (Dantrium), tramadol, and numerous other drugs. The Maddy Laboratory conducts ongoing research to improve testing for potential drugs of abuse, such as zilpaterol, ractopamine, demorphan, and many other drugs and substances. The UC-Davis School of Veterinary Medicine frequently consults with veterinary professionals seeking to better treat their horses and remain in compliance with horse-racing rules.

Racing Safety Program

California Business and Professions Code section 19481 requires the California Horse Racing Board to establish safety standards to improve the safety of horses, riders and workers at the racetrack.

Business and Professions Code section 19481.3 requires the stewards to prepare a report that identifies the circumstances and likely causes for all on-track accidents. In addition, the Business and Professions Code establishes the qualifications for licensing, and the duties of, trainers and veterinarians.

The CHRB's Racing Safety Program (RSP) was initiated in early 2010 to directly address the requirements of the Business and Professions Code, and to reduce the incidence of debilitating and fatal injuries at California racetracks and training facilities. The centerpiece of the RSP is the fatality investigation. The CHRB now conducts an investigation into every racehorse fatality that occurs within the enclosure at all California racetracks. The objective of the fatality investigation is to establish the underlying reason for the fatal accident. The results of the investigation are compiled in a research database that is reviewed to establish ways to address the root causes of accidents, whether they occur during racing, training, or in the stable area.

The RSP includes three projects that support the fatality investigations: 1) The University of California at Davis (UCD) California Animal Health and Food Safety (CAHFS) Laboratory System Necropsy Program; 2) The UCD J.D. Wheat Veterinary Orthopedic Research Laboratory Racing Injury Prevention Program (RIPP); and 3) The CHRB Track Safety Standards project.

The CAHFS Postmortem Program (necropsy) identifies the cause of

death of the racehorse and establishes findings to provide scientific understanding of why the fatality occurred. The data collected to date shows that approximately 80 percent of racehorse fatalities are attributable to musculoskeletal injuries.

The objective of the UCD RIPP is to perform enhanced, specialized analysis of necropsy specimens from racehorses that have sustained fatal musculoskeletal injuries. These analyses identify pre-existing conditions that may contribute to bone fractures. The end product of the RIPP will include: 1) development of new physical examination and imaging techniques, and 2) identification of training and racing schedules that contribute to high risk of injury. This information will be disseminated to trainers and veterinarians through professional forums and continuing education programs.

The CHRB Track Safety Standards project was initiated in May 2010 with the objective of updating operating and maintenance standards for all racing surfaces in California, including dirt, synthetic and turf courses. The project addresses the development of field standardized surface performance measurement tools and laboratory surface performance measurement testing. This field and laboratory testing will result in standards that will be reg-

ularly monitored by the CHRB to ensure consistent racing surfaces. The CHRB has contracted with the Racing Surfaces Testing Laboratory for laboratory testing of surface materials. These tests are used to characterize surface composition and strength of material properties that are correlated with measurements from surface performance instruments to develop parameter ranges for safe track operation.

In addition, the CHRB RSP team has been established and is developing programs to ensure that trainers and veterinarians are qualified and tested to current professional standards. The CHRB trainer's test is being updated. Improved veterinarian pre-race examinations have been established at all racetracks to ensure that horses are sound and prepared to race.

Plans to develop a program to rehabilitate newly retired racehorses that are healthy enough re-train have begun. The goal of the program is to extend the useable life of these former racehorses by retraining them for use in one of the many non-racing equine disciplines.

Equine Postmortem Program

The State of California monitors fatal injuries at California racetracks and authorized training facilities. This is accomplished with the CHRB official veterinarians and the CHRB/UC Davis-CAHFS Postmortem Program (necropsy). An annual descriptive report of findings from the Postmortem Program is presented to the Board and is available on the CHRB website through the Veterinary and Postmortem Examination Report links.

The CHRB/UC Davis-CAHFS Postmortem program began in 1990 as a partnership between the CHRB and the California Animal Health and Food Safety (CAHFS) laboratory system under the School of Veterinary Medicine at the University of California at Davis.

The Postmortem Program has become a model for the racing industry. The program was established to study the nature of injuries occurring in racehorses, to determine the reasons for these injuries, and to develop prevention strategies.

To accomplish these goals, a broad cooperative approach was organized. A necropsy is required for any horse dying within a CHRB facility under CHRB Rule 1846.5.

The CHRB contracts with CAHFS to perform necropsies on all horses that die on any racetrack or training facility under the jurisdiction of the CHRB. The racing associations are responsible for transporting the carcasses to the closest CAHFS laboratory. More than 5,500 horses have been necropsied (autopsied) under the program over the last 20 years.

CAHFS laboratories at Davis and San Bernardino conduct all of the post-

mortems except for fatalities at the Fresno meet, which are handled by the Tulare lab. Detailed information on each horse is compiled and reported to the CHRB. Specimens of interest are sent to veterinary scientists in the School of Veterinary Medicine at the University of California at Davis for more in-depth analysis.

Funding for the entire program also is a cooperative effort. The CHRB funds the postmortem examinations; the racing associations provide transportation; and additional studies are funded by the Center for Equine Health and from research grants from private and public sources.

Research findings are published in veterinary medical journals and at racing industry, veterinary, medical, and other professional meetings available to the public. A list of published articles can be found in the appendix of the annual postmortem reports on the CHRB Website.

Musculoskeletal injuries are the most common cause of fatalities at CHRB facilities. Many of those injuries are studied at the J.D. Wheat Veterinary Orthopedic Research Laboratory at the School of Veterinary Medicine at UC Davis under the direction of Dr. Susan Stover. The lab has demonstrated the role of undiagnosed stress fractures contributing to catastrophic fractures of the pelvis, femur, humerus, scapula, tibia, and other bones. Pre-existing pathology at the site of the fatal injury is a common finding at necropsy. Previous studies documented the increased risks of front toe grabs among thoroughbreds.

The laboratory is now focusing on proximal sesamoid bone fractures and racing surfaces. Proximal sesamoid

bone fractures and associated fetlock (ankle) injuries are the single major cause of fatal racehorse injuries, both racing and training. In cooperation with the UC Davis School of Veterinary Medicine, previous studies have been done on stomach ulcers, equine protozoal myeloencephalitis (EPM), equine herpes virus (EHV-1), laryngeal abnormalities, and other important equine health and safety issues.

Starting on July 1, 2011, the CHRB began a program of enhanced analysis of musculoskeletal fatalities with Dr. Stover's J.D. Wheat Laboratory as part of the joint UC Davis-CHRB project to determine the causes and reasons for horse injuries and fatalities. The ultimate goal is to improve detection of injuries earlier to prevent serious non-fatal injuries and catastrophic fatalities on the track. The program builds on the unique CHRB/UC Davis-CAHFS necropsy program and the J.D. Laboratory. Both programs have over 20 years of experience in evaluating and studying orthopedic racing injuries.

The CHRB has been developing track surface standards. This has required the CHRB to obtain and record track surface data that will be used to improve track safety. The track surface standards team is under the direction of the executive director. The program objectives are to better understand the causes of musculoskeletal fatalities and to reduce fatal and non-fatal injuries. This will be accomplished by better understanding track surfaces; developing diagnostic techniques to identify pre-existing injuries before more serious injury; and educating horsemen how to use this information. This is a very innovative program that demonstrates the Board's commitment to make racing safer for horse and rider.

Fatalities at CHRB Facilities by Track and Surface July 1, 2010 — June 30, 2011

Track	Racing*			Training**			Other***	Total
	Dirt	Synthetic	Turf	Dirt	Synthetic	Turf		
Cal Expo (Harness)							4	4
Cal Expo (Sac. Fair)				1				1
Del Mar		4	1		1	2	1	9
Fairplex (Pomona)	1			5			1	7
Ferndale				1				1
Fresno	1			1				2
Golden Gate Fields		17	2		18		18	55
Hollywood Park		7	4	1	28	2	12	54
Los Alamitos	40			7			29	76
Pleasanton	4			4			6	14
San Luis Rey Downs				3			1	4
Santa Anita	12		6	11	1		7	37
Santa Rosa	1							1
Stockton								0
Vallejo (Solana)								0
TOTAL	59	28	13	34	48	4	79	265

*Racing includes any fatality associated with racing.

**Training includes any fatality associated with training.

***Other includes any non-exercise related fatality. The most common cause of death in the Other group is gastro-intestinal diseases, such as colic, colitis, and enteritis, followed by respiratory disease, primarily pneumonia and pleuropneumonia, and neurological diseases, including West Nile Virus and equine protozoal myeloencephalitis (EPM).

Starts for All Breeds: July 1, 2010 — June 30, 2011

Track	Racing Surface		
	Dirt	Synthetic	Turf
Cal Expo (Harness)	12,212		
Cal Expo (Sac. Fair)	597		
Del Mar		1,942	715
Fairplex (Pomona)	1,237		
Ferndale	427		
Fresno	742		
Golden Gate Fields		8,303	1,424
Hollywood Park		4,909	1,875
Los Alamitos	10,928		
Pleasanton	984		
Santa Anita	3,220		1,422
Santa Rosa	789		316
Stockton	240		
TOTAL	31,376	15,154	5,752

Horse Racing in California

Santa Rosa was one of the few racetracks in California to expand its racing schedule in the past year, partly because of the popularity of its turf course (pictured below), which offers the only grass racing in Northern California during the northern fair circuit through mid-August. Most other racetracks have been reducing their race dates and numbers of races in the face of a horse shortage. The California horse racing industry continues to experiment with innovative programs to attract horses from other jurisdictions, such as Del Mar's "Ship and Win" program, detailed in this racing section. The California Horse Racing Board is working with the industry in this effort.



California Horse-Racing Meetings During 2011

Thoroughbred Race Meetings — Central & Southern Zones	
Santa Anita Park	12/26/10 – 4/17/11
Hollywood Park	4/20/11 – 7/17/11
Del Mar	7/20/11 – 9/7/11
Santa Anita	9/30/11 – 11/6/11
Hollywood Park	11/9/11 – 12/18/11
Thoroughbred Race Meetings — Northern Zone	
Golden Gate Fields	12/26/10 – 6/12/11
Golden Gate Fields	8/19/11 – 10/2/11
Golden Gate Fields	10/19/11 – 12/18/11
Quarter Horse Race Meetings — Statewide	
Los Alamitos	1/1/10 – 12/18/11
Harness Race Meetings — Statewide	
Cal Expo	12/30/11 – 6/18/11
Cal Expo	8/12/11 – 12/17/11

Fair Meetings — Statewide		
Stockton	San Joaquin Fair	6/15/11 – 6/19/11
Pleasanton	Alameda County Fair	6/22/11 – 7/10/11
Cal Expo	State Fair	7/13/11 – 7/24/11
Santa Rosa	Sonoma County Fair	7/27/11 – 8/14/11
Ferndale	Humboldt County Fair	8/12/11 – 8/21/11
Pomona	Los Angeles County Fair	9/9/11 – 9/24/11
Fresno	Fresno District Fair	10/6/11 – 10/16/11

California Racetracks

The vast horse-racing industry in California includes 13 racetracks that stretch from the Humboldt County Fair near the Oregon border down to Del Mar just above San Diego and the Mexican border. The racetracks, together with simulcast outlets and Advance Deposit Wagering (telephone and Internet), make horse racing accessible to all of California.

HIGHLIGHT

Satisfactory Results as Del Mar Stood Fast with Five-Day Race Weeks Despite Economic Pressures

DEL MAR

Del Mar enjoyed good business despite hard times, as the 2011 race meet avoided the steep declines in business that hit so many other racetracks in California and throughout the country by holding almost even on attendance and dropping just over 4 percent in handle. They accomplished this while continuing to race five days a week, while other major tracks in California cut their schedules down to four or even three days.

On-track attendance for the meet was 660,245, down 0.3 percent from the 2010 on-track total of 662,521. Total handle reached \$430,278,585 for a daily average of \$11,629,151, down 4.2 percent from 2010.

“We adapted, we adjusted, we partnered, we promoted, and we worked hard,” said Del Mar President Joe Harper. “In the end, we managed to do what most everyone in this business hopes to do – we conducted a helluva good race meeting that was fun for everyone involved.”

Del Mar teamed up with the Thoroughbred Owners of California to offer owners monetary incentives and bonus payments to those who would bring runners to the meet from out of state. This “Ship and Win” program helped attract more than 100 thoroughbreds from other racing circuits and helped boost field size from the 8.2 average of the 2010 meet to 8.4 in 2011.



Del Mar provided winning owners with their own special room – The Winners Bar overlooking the picturesque paddock – where they were feted with a bottle of fine champagne and a continuous-loop video of their horse’s just-completed winning race, keeping the happy feel of winning a race at Del Mar alive just a little longer.

The track also installed several new bets topped by the popular 50¢ Players Pick 5, which offered a reduced take-out. Del Mar experimented with seeding its Sunday Pick Six pools with a \$50,000 carryover that pumped up the handle on that longtime California exotic bet by 15 percent on Sundays and led to several large next-day carryovers.

A field of runners turned into the stretch at Del Mar during the 2011 season at the seaside oval.

HIGHLIGHT

Strong Derby Day Helped Winter Meet Finish on a High Note

SANTA ANITA PARK

Fans continued to support the Santa Anita winter meet in 2011 by attending the races at the same level as the previous year, but a rainy March and poor economy contributed to a 3 percent decline in on-track daily average handle and a 9 percent drop in total handle. Particularly encouraging was a late-season surge in wagering and attendance capped by Santa Anita Derby Day, which attracted an on-track crowd of 31,523 and total pari-mutuel handle of \$15,088,988.

“Our Chairman, Frank Stronach, is committed to invigorating the sport of thoroughbred racing,” said Santa Anita President George Haines. “Our big days continue to prove that Santa Anita is a venue that can produce on-track events that people want to attend and participate in.”

Total handle for the 2011 meet was \$590,056,282 compared with \$721,026,264 in 2010. The daily average handle of \$8,299,350 dropped 9 percent. Total attendance at Santa Anita and simulcast locations in California was 1,045,126, down 8 percent from 2010. The average on-track attendance was virtually unchanged at 7,909. Similarly, average daily handle on track was \$1,422,269 compared with \$1,459,184 the previous year.

The declining horse inventory impacted not only Santa Anita’s business but the racing schedule as well. “Our original intent was to go to a five-day week in March and in April, but we simply didn’t have the inventory to support that at the time,” Haines said. “California’s horse inventory crisis is one of the key factors in Santa Anita’s final numbers. Our field size, which is important to our off-track customers, was impacted by this and thus, our handle. Our fans want full fields and better gambling opportunities. The decline in horse population in the state is a significant problem for all of California racing and could remain so for the foreseeable future.”

Hall of Fame trainer Bob Baffert figured prominently throughout the meet, becoming the first trainer since Jimmy Jones in 1953 to win both the Santa Anita Handicap (Game on Dude) and Santa Anita Derby (Midnight Interlude) in the same meet. Chantal Sutherland became the first female rider to win the Big Cap in its 74-year history.

Santa Anita, which had a synthetic main track the previous three years, installed a new all-natural dirt surface in early December. “We continue to be committed to providing the best possible racing surface in the sport,” said Haines. “We’ll continue to work with the horsemen in making adjustments to the main track over the spring and summer, and we’re confident we’re going to have a safe and consistent surface for everyone to run on here in the fall.”



BENOIT PHOTO

Unzip Me and jockey Rafael Bejarano won the Monrovia Stakes during the Santa Anita winter meet.

Inaugural Fall Meet Viewed a Success, Testimony to Popularity of Santa Anita

Santa Anita's inaugural 24-day autumn meet posted total handle of \$206,490,568 and average daily handle of \$8,733,396, while average daily on-track handle was \$1,336,903. Total attendance at Santa Anita and all simulcast locations in California reached 330,700, while average on-track attendance was 7,009.

This was the first fall meet ever operated by Santa Anita, as opposed to previous Oak Tree meets, the most recent of which was conducted at Hollywood Park. Business for this fall meet compared favorably to the average daily numbers at the Santa Anita winter meet run earlier in the year (listed on the previous page of this annual report).

Average field size for the meet was 8.8 horses per race, again at or above the norm for field size at other California meets. Santa Anita President George Haines said the favorable field size was "a result of two things, an improving horse inventory and the fact that our natural dirt main track is performing very well. We installed this surface last summer, and it's been very well received by the horseman, which was reflected at the entry box. The turf course also performed well, and we believe all of this bodes well for the future.

"The racing was outstanding throughout the meet, and the fact that our Breeders' Cup horses performed so well is a good indication that the quality of our product remains world-class. The fact that Amazombie was able to parlay his win in the Ancient Title Stakes here to victory in the Breeders' Cup Sprint was a great indicator of this, as was Game On Dude's second-place finish in the Classic after he won the Goodwood here a month earlier. .

"We've got the Breeders' Cup coming here next year and in an immediate sense, we're very much looking forward to opening day on Dec. 26 (for the 2012 winter meet). We're looking forward to hosting the Breeders' Cup in 2012 and to be able to once again showcase what we believe is the most magnificent venue in all of racing."



BENOIT PHOTO

Weemissfrankie and jockey Rafael Bejarano, outside, outran Candrea (Martin Garcia), inside, and Charm the Marker (Garrett Gomez), left, to win the Oak Leaf Stakes during the fall meet at Santa Anita.

HIGHLIGHT

Spring-Summer Meet Featured Many Surprises

HOLLYWOOD PARK

The creation of the Player's Pick 5, a thrilling finish in the Hollywood Gold Cup, and the largest Friday night crowd in more than 10 years were the highlights of the spring/summer meet at Hollywood Park in 2011, which showed slight decreases in business during an off year for most of horse racing.

Although Hollywood Park finished its spring/summer meet with slight drops in attendance and handle, track President Jack Liebau was generally heartened with the results, given the problems facing the industry and the high rate of unemployment in California.

Southern California attendance averaged 12,559, down slightly less than 1 percent from the average of 12,676 in 2010. The average Southern California handle of \$4,763,002 also was off just under 1 percent from the average of \$4,795,559 the previous year. The all-sources average handle declined 2.4 percent from \$9,475,894 in 2010 to \$9,251,001 in 2011. The average field size was 7.68 horses per race, the same as the 2010 spring/summer meet.

"Considering our expectations going into the meet, I thought, relatively speaking, we did very well," said Liebau. "We began after Santa Anita had a disappointing meet, with a horse shortage and 12.8 percent unemployment in the state, so given all of those factors, I thought we held our own."



BENOIT PHOTO

Trainer Bob Baffert celebrated with jockey Martin Garcia after their victory with First Dude in the Hollywood Gold Cup during the summer meet.

A 50-cent minimum bet with a California low takeout rate of 14 percent, the Player's Pick 5, debuted April 21. Available on the first five races daily, the wager quickly grew popular. The average daily Pick 5 handle for the meet exceeded \$200,000. A \$70 investment for one player July 9 led to a record payout of \$157,395.

Trainer Bob Baffert finished 1-2 in the Gold Cup – a Grade I seen by a national television audience via ESPN – with First Dude defeating Game on Dude by a nose and favorite Twirling Candy a neck back in third.

A crowd of 20,206 attended July 8, an evening the popular local reggae band Rebelution performed a post-race concert at the North Park.

Blind Luck rallied from last to win the Vanity Handicap and was honored as Horse of the Meet in the annual media poll.

Jockey Joel Rosario defended his crown with 64 winners, seven more than runner-up Rafael Bejarano.

Fall Meet Showed Increases In Handle & Field Size, Plus a Record Player's Pick 5 Pool

Field size and handle on races run at Hollywood Park increased in the fall of 2011 over the previous year, a combination that beat a national downward trend in business. The handle on races run at Hollywood Park was \$151,319,791 compared to \$132,933,380 during a comparable six-week period in the 2010 season, which began one week earlier and included two days of Breeders' Cup simulcasts.

There was an 8.5 percent increase in daily average wagering on races run at Hollywood Park, up from \$5,363,373 in 2010 to \$5,819,992 in 2011. Daily average wagering on Hollywood's races in Southern California was up 1.2 percent with, out-of-state averages up 13.8 percent. Daily average all-source wagering, including races imported from other tracks, increased from \$7,778,428 in 2010 to \$7,835,182 in 2011. Average daily all-source handle showed an increase of 7.1 percent over the comparable weeks in 2010. Average Southern California attendance was 9,783 in 2010 and 9,337 in 2011, as 2010 featured a Zenyatta farewell day that drew 17,868. There was a 7.8 percent increase in average field size (7.33 in 2010 and 7.89 in 2011).

"We're very pleased that wagering on our live product was up over last year," said Hollywood Park President Jack Liebau. "The larger fields definitely contributed to the increase."

The final day of the meet featured a record-shattering Player's Pick 5 pool. Chasing a record carryover of \$183,594 generated during the CashCall Futurity program the previous day, bettors wagered an additional \$1,226,324, creating a total pool of \$1,409,917. There were 635 winning tickets in the Player's Pick 5 Sunday. Each was worth \$1,948.

Jockey Joel Rosario won his third Autumn title in a row, finishing with 37 winners, four more than Rafael Bejarano. Both Rosario and Bejarano had four stakes victories. Bejarano finished on top in earnings with \$1,690,868. Mike Mitchell won his

third Autumn training title and his seventh overall at Hollywood Park. Mitchell wound up with 18 wins, leaving him two clear of Doug O'Neill and three in front of Bob Baffert, who led the spring/summer meet earlier in the year.



BENOIT PHOTO

Liaison and jockey Rafael Bejarano pulled away from Handsome Mike (Corey Nakatani) to win the CashCall Futurity during the fall meet at Hollywood Park.

HIGHLIGHT

Less Racing but Plenty of Highlights and Increased Daily Business by the Bay

GOLDEN GATE

Golden Gate Fields achieved increases in its on-track attendance and handle averages in 2011, a year in which the East Bay racetrack conducted 157 days of racing compared to 174 in 2010. The average daily on-track attendance in 2011 was 2,616, up 8.8 percent from the 2010 figure of 2,403. The average daily overall attendance (Golden Gate Fields and the Northern California off-track wagering facilities) was up 5.3 percent, from 5,367 in 2010 to 5,650 in 2011.

The average daily on-track handle in 2011 was \$449,315, up 2.8 percent from the 2010 total of \$436,986. Average daily handle increases were also realized in the Northern California off-track network (\$955,229 compared to \$937,639, up 1.9 percent) and Northern California account wagering (\$448,388 compared to \$417,810, up 7.3 percent).

The total average daily handle in Northern California (bets placed at Golden Gate, off-track facilities, and through advance deposit wagering) was up 3.4 percent, \$1,852,932 compared to \$1,792,436. The average field size at Golden Gate in 2011 was 6.95 runners compared to 6.80 runners in 2010, up 2.2 percent.

“Any time a track realizes increases in its attendance and handle figures, especially on track, it is great news,” said Joe Morris, vice president and interim general manager of Golden Gate. “Equally as important is field size, an area we will continue to concentrate on in 2012. All of us at Golden Gate Fields thank the owners and trainers for their support in 2011.”

With Golden Gate conducting 17 fewer racing programs in 2011 compared to 2010, straight comparison numbers were obviously down. Total on-track attendance was 410,646 compared to 418,141 (down 1.8 percent). On-track handle was \$70,542,524 compared to \$76,035,621 (down 7.2 percent). Handle at Northern California off-track facilities was \$149,970,933 compared to \$163,149,263 (down 8.1 percent). Total handle in Northern California was \$290,910,392 compared to \$311,883,870, down 6.7 percent.

As expected, the top newsmakers at Golden Gate in 2011 were trainer Jerry Hollendorfer and jockey Russell Baze. Hollendorfer, less than a month after being inducted into the National Museum of Racing's Hall of Fame in Saratoga Springs, registered his 6,000th career victory on Sept. 2 at Golden Gate when his 3-year-old filly Just Tappin It won the sixth race. Baze, a Hall of Fame member since 1999, was aboard Just Tappin It. Thirteen days after winning the El Camino Real Derby, Baze was inducted into the Multi-Ethnic Sports Hall of Fame in Oakland. Baze was part of a 2011 induction class that included NBA great Rick Barry and NFL star quarterback Y. A. Tittle.



Silver Medallion and jockey Russell Baze won the El Camino Real Derby at Golden Gate.

HIGHLIGHT

Fairs Strategically Reduced Racing to Enhance Product

THE CALIFORNIA FAIRS

Despite a staggering economy and a nationwide downward trend in the racing industry, business was strong on the Northern California fair circuit. Several facilities experienced record or near-record attendance along with significant increases in various handle categories. Fairs leveraged ties in their local communities by offering families an exciting entertainment alternative at a value. As a natural extension of the fair experience, several locations offered entertainment between horse races to keep fans captivated. These efforts were rewarded with full grandstands and packed aprons.

To ensure that fairs offered the best quality product possible, Stockton, Pleasanton, Sacramento, and Fresno reduced racing to four-day weeks. In 2010, fairs began a long-term restructuring and consolidation process with goals to optimize the horse population through the reduction of race dates, offer more turf racing, and generate better racing opportunities for all classifications of thoroughbreds. The decision to run four-day weeks was a byproduct of that process in order to create the strongest racing cards possible.

The California Authority of Racing Fairs (CARF) worked closely with the Thoroughbred Owners of California (TOC) to create a consolidated purse program, which provided the flexibility to write condition books to ensure that one fair did not build up at the expense of another. Working as a single unit, fairs were able to better manage purses, closely track the levels of purses paid in relation to purses generated, and perhaps most importantly, provide consistency for horsemen throughout the circuit.

As part of that effort to provide consistency, the horse population was carefully managed under a single racing secretary. Also, six new stakes were added to the program, including a pair of \$75,000 routes for 2 year olds at Fresno for which eligibility preference was given to runners who competed on the fair circuit. In an effort to create fuller fields, bottom-level purses were increased, including a new series for \$5,000 to \$10,000 claimers.

In recognition of the Northern California horse shortage, fairs increased their recruiting efforts in Washington and focused on transitioning horsemen affected by the cancellation of the Yavapai Downs meeting in Arizona. The out-of-state recruitment program, managed by CARF, produced 175 horses that made 328 starts on the fair circuit. The number of recruited horses was up 15 percent from 2010, and those horses represented 11 percent of fair starters.

The summer season on the fair circuit provided Northern California horsemen with their only chance to run on true dirt surfaces. In order to maximize that experience, management of the Fair Track Safety and Maintenance Program sought to continually improve the natural racing surfaces. In order to provide safety and consistency to the circuit, all surfaces were overseen by the same track superintendent and equipped with state-of-the-art equipment, including uniform all-tread tractors, a state-of-art Kimsey horse ambulance, and custom water trucks.

HIGHLIGHT

San Joaquin County Fair Offer of Free Attendance Engaged the Community

STOCKTON

In a time when every penny counts, the San Joaquin County Fair took a new approach to community involvement by offering free daily admission. The result was a packed grandstand and increases in both handle and fair concessions, giving management a reason to believe that the additional exposure will buoy the fair's future move into a September slot.

In addition to free admission, patrons enjoyed a newly renovated winner's circle, which transformed the former 12' x 20' grass enclosure into a 120' x 50' walking ring/winner's circle with wrought iron railing and heavily landscaped interior.

On-track attendance increased 49 percent and on-track handle increased 16 percent when compared to 2010. The number of thoroughbred starters per race increased from 6.73 in 2010 to 7.12 in 2011.

The leading trainer for the meet was Steve Sherman, while Russell Baze and Abel Cedillo tied for leading jockey honors with five wins each.

HIGHLIGHT

Alameda County Fair Set All-Time Attendance Record

PLEASANTON

The Alameda County Fair, home of America's oldest one-mile racetrack, concluded its 13-day race meet by setting a new attendance record of 452,746 fairgoers. Racing fans wagered a total of \$32.9 million on the Pleasanton product, with on-track wagers up 2 percent compared to 2010.

Even though the fair reduced racing by 13 percent (13 race days in 2011 compared to 15 race days in 2010), the overall amount wagered was only down 5.5 percent and the daily average handle was up 10 percent (from \$2.3 million in 2010 to \$2.53 million in 2011). According to CEO Rick Pickering, "By not racing Wednesdays, the fair was able to provide larger fields of horses on Thursdays through Sundays, bucking the national trend of double-digit decreases in handle."

Jerry Hollendorfer was the leading trainer with nine wins and Russell Baze was the leading jockey with 16 wins.

HIGHLIGHT

Sonoma County Fair Celebrated 75th Anniversary

SANTA ROSA

The Sonoma County Fair marked its 75th anniversary in 2011. As part of the Diamond Jubilee celebration, the fair extended the entertainment, carnival, and vendors to 17 days, which meant that Wine County Racing was held concurrent with fair activities for the entire run. This new schedule in 2011 resulted in a 7 percent attendance increase compared to 2010.

To provide continuity with Del Mar, Santa Rosa was the only Northern California meet racing five-day weeks. During the 15-day meet, seven stakes were offered, and with the only turf course on the fair circuit, Santa Rosa provided turf specialists with opportunities to compete after a six-week break.

The highlight of the race meet was the unveiling of a newly constructed paddock. The design provides a clear view and easy access to the racetrack for fair patrons. The new paddock is 2½ times larger than the previous enclosure and has drawn rave reviews from horsemen and fans alike.

HIGHLIGHT

Declines for Humboldt County Fair as Racing Calendar Changed

FERNDALE

The 115th Humboldt County Fair featured eight days of racing. In 2010 the California Horse Racing Board granted approval for five days of non-overlapped racing during the meet's closing week, a first for Ferndale. The move back to concurrent weekend racing contributed to a 14-percent decrease in on-track handle, a 68-percent decrease in the Northern California satellite network handle, and a 27-percent decrease in out-of-state handle.

The Humboldt County Fair, famous for an atmosphere reminiscent of the early days of racing, celebrated the 58th running of the C. J. Hindley Humboldt County Marathon. The 1 5/8-mile race, run over Ferndale's half-mile track, gave fans the opportunity to see the runners cross the finish line four times before the completion of the race. The 2011 renewal was won by Steel Blue, trained by Phil Oviedo, owned by Allen Aldrich, and piloted by Barrington Harvey.

Due to offering purses at parity with other Northern California venues, along with aggressive recruiting in Idaho and Oregon, thoroughbred runners made 250 starts in 39 races. Of those starts, 105 were made by horses from Washington, Oregon, and Idaho.

HIGHLIGHT

Big Fresno Fair Closed Out Northern Fair Circuit with Large Gains

FRESNO

The Big Fresno Fair, which has renovated its track, paddock, and barn area in recent years, continued to improve its racing product with a new infield carnival area for children and entertainment between races. The fair, known for its large and enthusiastic crowds, enjoyed unseasonably cool weather the first week of the meet and drew an audience of 549,155.

The nine-day meet concluded with Northern California handle up 4 percent, out-of-state handle up 25 percent, and all-source live handle up 10 percent from 2010. Fresno also benefitted from out-of-state recruitment efforts; field size increased from 7.49 in 2010 to 7.9 in 2011.

California champion and Grade II winner Bold Chieftain made his second-to-last start a winning one when he captured the \$50,000 Bull Dog Stakes on closing day.

It was the 15th stakes victory for the 8-year-old, who retired with earnings of \$1.7 million.

Two additional \$75,000 routes for 2 year olds improved the fair's stakes program and proved to be stepping stones for stakes-caliber horses. Longview Drive, who won the Charlie Palmer Stakes, went on to run third in the Delta Downs Jackpot, and Killer Graces, who ran second in the Soviet Problem Stakes, went on to win the Grade I Hollywood Starlet Stakes.

There was a three-way tie in the trainer's standings, with Steve Sherman, Andy Mathis, and John Martin each saddling six winners. Mathis officially won the title, based on the point system. Leading jockey was Russell Baze with 19 wins.



Large crowds continued to show up for Fresno racing.

HIGHLIGHT

Fewer Race Days, Shorter Programs Resulted In Increased Handle per Race and Larger Fields

FAIRPLEX PARK

The 2011 Fairplex Park meet raced two fewer days than in 2010 (from 15 down to 13) and offered fewer races on some of the programs. Management noted strong results on a handle-per-race basis and Fairplex enjoyed a successful meet. Average all-source handle per race increased 7.5 percent and average on-track handle per race increased 12 percent. Furthermore, average field size increased from 7.15 to 7.53.

Total (all-source) handle for the shortened meet was \$62,751,153, with an average daily all-source handle of \$4,827,011. Total on-track handle was \$6,236,682, while average daily on-track handle was \$479,744. Total attendance reached 123,613, with a daily average of 9,508.

In an experiment, Fairplex offered two Wednesday twilight racing programs with a first post of 4 p.m. "I think the experiment worked well," said Kim Lloyd, Fairplex's equine manager. "There was tremendous energy at night and it was a great show. I saw young couples, business people, and families with children on the track's apron during the races. This is different from the crowd we would usually see on a Wednesday. We plan on doing it again next year."

Doug O'Neill topped the trainer standings with 11 winners for his third straight crown and eighth in the last 10 years. He now has saddled 110 lifetime winners in Pomona, placing him fourth on the all-time conditioner's list. Veteran Mel Stute still sits atop the all-time trainer's roster with 189 lifetime victories at the fair. Sitting in the box seat section next to Stute, O'Neill quipped, "In another decade I just might pass you."

Jockey Martin Pedroza, who has earned the title "King of the Bullring," won the riding championship for an amazing 13th consecutive meeting, and 14th overall, with 35 victories. Pedroza, inducted into the Fairplex Park Hall of Fame in 2009, is the winningest rider of all time in Pomona with 686 triumphs.



Tom Knust, Fairplex Park racing secretary, presented the trophy to 2011 leading jockey Martin Pedroza with assistance from Sandy Linares, Barretts Equine Ltd.

HIGHLIGHT

State Fairgrounds Hosted Both Harness and State Fair Racing in 2011

CAL EXPO

The California Exposition and State Fair hosted 44 weeks of racing in 2011 – 42 weeks of harness racing and two weeks of thoroughbred/mixed breed racing during the annual State Fair.

Total all-source handle for the State Fair meet was virtually unchanged from the previous year with wagering of \$19,202,520 compared with \$19,122,174 in 2010. Similarly, on-track handle of \$15,187,865 declined only slightly from \$15,394,306 in 2010. Average nightly wagering only on the live product (excluding wagering on simulcast races) increased 8 percent for the nine-night meet at \$1,239,788 compared with \$1,139,564 during the 10-night meet in 2010.

The California State Fair Sprint, contested at 6 furlongs for fillies and mares, was the feature race of the meet. The fan favorite, Point of Reference, came from last in the eight-horse field and caught Whispering Express at the wire to win the race.

On the harness racing front, total all-source handle of \$93,851,641 was down 10 percent from the \$103,696,430 figure in 2010. The nightly average handle of \$526,661 for the live product at the shorter 117-night meet in 2011 increased 4 percent from the live nightly average of \$507,031 for the 134-night meet in 2010.



CRYSTAL VIEW PHOTOGRAPHY

Shamderock, trained and driven by Luke Plano, was a dominant force in the California Sire Stakes 3-year-old pacing, division winning seven of eight races.

HIGHLIGHT

Rich Races Dominated the Long Quarter Horse Meet, Helping Post Nightly Average Gains

LOS ALAMITOS

The year-long race meet at Los Alamitos boasted slight increases in nightly handle while offering the richest race ever held in the 61-year history of Los Alamitos Race Course – the Los Alamitos Two Million Futurity. Won by I Like the Odds, the Two Million Futurity also was California's richest race for any breed in 2011 and the second-richest race in the history of quarter horse racing.

Los Alamitos also was the home of two other million-dollar races in 2011: The Ed Burke Million Futurity and the Golden State Million Futurity. The Los Alamitos Super Derby, which had a purse of over \$987,000, and the \$750,000 Champion of Champions were among the other major races contested at Los Alamitos in 2011. The track also hosted the \$1 million Bank of America Racing Challenge and the \$1 million California Breeders Champions Night during an eventful racing season.

Los Alamitos ended its 61st racing season with an average single-night handle figure of \$1,399,344, a figure that included combined wagering on both the live races and night import races. The total average single-night handle was up 3.6 percent from 2010. Los Alamitos' on-track average single-night handle on both the live and night import races was \$167,898, just shy of rising 1 percent from its 2010 figure of \$166,600. Wagering on the Los Alamitos product at the California off-track wagering locations was up 1.8 percent to an average single-night figure of \$436,369.

Account wagering on Los Alamitos races increased more than 13 percent to an average single-night figure of \$431,151. Since 2009, account wagering has gone up an average of \$122,000 per night for an increase during that span of 39 percent.

The total handle for all sources during the 2011 meeting was \$209,901,650 for the 150-night meet. This year's average single-night on-track attendance was up exactly 1% from 2010.

Ed Allred won another quarter horse owner title after picking up 65 wins from his 382 starters or a win ratio of 17 percent. His top horses included stakes winner Check My Thoughts and talented young runners Once Over, Red Dasher, and Academy Days. Owner Mike Flory was the runaway winner in the thoroughbred standings with 31 victories.

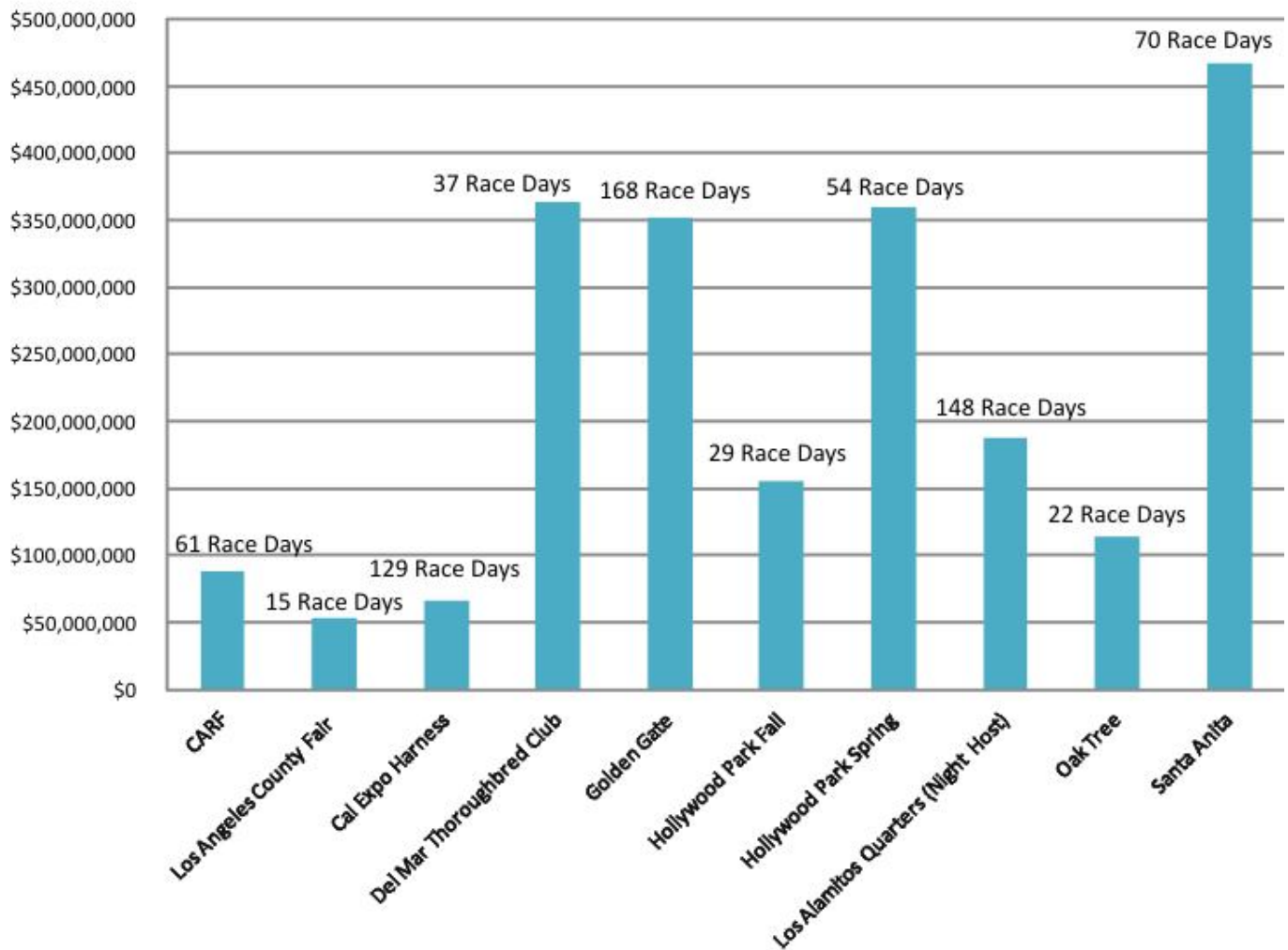
Trainer Paul Jones enjoyed his 13th title in 14 years after saddling 105 winners during the meet. Rodrigo Aceves picked up his fifth riding quarter horse title with 112 wins.



I Like the Odds and jockey Ramon Sanchez won the rich Los Alamitos Two Million Futurity.

Racing Associations Generated Handle

Handle on Races Conducted at California Racetracks for FY 2010-11



Handle includes on-track, brick & mortar off track in California, ADW in California, out-of-state wagers and the number of race days.

Simulcast Facilities by Location

California Simulcast Facility	Total Handle FY 2010-11	Number of Attendees
Anderson	\$1,531,744	5,512
Bakersfield	6,364,315	33,901
Barona	15,569,192	69,202
Cabazon	12,038,693	54,116
Commerce Casino	23,123,146	64,033
Del Mar	122,799,229	807,107
Ferndale	880,562	24,920
Fresno	8,852,878	103,681
Fresno Club One	3,489,751	5,593
Golden Gate	93,643,426	481,956
Hollywood Park	187,086,373	830,984
Lake Perris	12,885,623	60,795
Lancaster	14,457,001	64,137
Los Alamitos	135,244,426	530,885
Monterey	7,098,645	30,205
O.C. Tavern	4,232,017	19,681
Pleasanton	40,544,265	174,090
Pomona	61,705,686	238,340
Sacramento	29,948,020	144,948
San Bernardino	24,881,280	121,367
San Jose	33,946,514	131,435
San Mateo County	70,462,443	212,474
Santa Anita	206,695,277	881,934
Santa Maria	4,061,352	12,348
Santa Rosa	14,079,382	89,800
Shalimar (Indio)	4,416,861	22,896
Stockton	17,337,845	85,144
Sycuan	5,872,894	40,695
Tulare	2,902,054	12,126
Turlock	6,747,618	24,582
Vallejo	16,073,361	63,838
Ventura	23,527,632	81,287
Victorville	5,171,973	33,324
Viejas	9,105,392	50,152

Note: Racetracks that offer simulcast wagering include combined pari-mutuel handle for live racing and simulcast wagering.

Horse-Racing Revenues

Prior to Fiscal Year 2009-10 the State of California's revenue from horse racing was derived primarily from license fees. Senate Bill 16 went into effect during 2009, eliminating state license fees. As a result, horse-racing revenue is now derived from the horse-racing industry. During the 2010-11 fiscal year, \$11,364,886 was generated as horse-racing revenue, and it was used to fund the California Horse Racing Board operations. The pari-mutuel handle totaled \$2,903,905,682 for FY 2010-11.

CHRB support, purses, track commissions, and other distributions are generated from a portion of the wagering handle referred to as the "takeout."

The takeout is set by law and is a percent taken from each dollar wagered. The takeout on conventional wagering (win, place, and show pools) is 15.95 percent for thoroughbred race meets, 17.58 percent for quarter-horse meets, 17.45 percent for harness meets, and 16.62 percent for fair meets.

The takeout on exotic wagering pools (all pools that are not win, place, or show) is 22.25 percent for thoroughbred meets, 23.06 percent for quarter-horse meets, 22.33 percent for fair

meets, and 23.55 percent for harness meets.

In general, once the state license fee, breeders and owners awards, equine research, and other mandated amounts have been deducted from the takeout, the remaining funds are divided in a prescribed manner between purses and track commissions.

A pari-mutuel auditor located at each live meet in California prepares a daily audited report of the precise distribution of the wagering handle. The report is submitted to the CHRB, the racing association, and other interested parties.

Breakage is a term used to describe the monies generated by mathematical rounding during the calculation of winning wagers. After a race is run and

the results are made official, the totalizer system calculates the payout for winning wagers.

The payout for each pool is first calculated on a \$1 amount, which is then used as the basis for paying all winning wagers for that pool.

During the calculation of the \$1 payout, amounts for each pool are rounded down ("broken," thus the term breakage) to the nearest dime. For example, in calculating a win pool, a \$1 payout of \$2.67 would be "broken" to \$2.60. A \$2 wager on that pool would then return \$5.20.

The 7 cents that is broken for each dollar in the calculation then becomes part of the total breakage for that pool, that race, and that day of racing, etc.

Charity Days

California horse-racing associations have distributed many millions of dollars to worthwhile charities over the last 70 years. Their donations in the last fiscal year totaled \$524,519.

By law, each racing association must conduct a specified portion of its race meeting for the benefit of charities meeting the statutory criteria and approved by the Board. The law also requires that at least 50 percent of the proceeds be distributed to charitable groups within the horse-racing industry. While recognizing the worthwhile nature of all the charitable organizations favored by the various distributing foundations, the CHRB encourages the foundations to exceed this minimum percentage.

On charity racing days, the racing association furnishes the facilities and personnel necessary for the conduct of racing. The income from all operations of the race meeting on charity racing days, less deductions for actual expenses, is dedicated to charitable purposes. The following racing associations distributed funds last year: Los Angeles Turf Club, Hollywood Park Racing Association, Del Mar Thoroughbred Club, and Oak Tree Racing Association.

Uncashed Pari-mutuel Tickets

Winning pari-mutuel tickets can be cashed until May 15 of the year following the year in which the race meet ends. After May 15, the uncashed tickets (unclaimed monies) are distributed as indicated below. The unclaimed money in the pool is the amount remaining when individuals fail to present winning pari-mutuel tickets for cashing. Racing patrons may mistakenly tear up, lose, or forget about winning tickets. In some cases, racing patrons have, many months after the meeting, presented valid pari-mutuel tickets entitling them to a pari-mutuel payoff.

Senate Bill 16 went into effect during 2009, eliminating the State's portion of unclaimed tickets pursuant to Business and Professions Code section 19641.

All such unclaimed money resulting from the thoroughbred, harness, or quarter-horse meetings, but excluding the meetings of the California Exposition and State Fair, county, district agricultural association, or citrus fruit fair meetings shall be distributed as follows:

1. Fifty percent of live races unclaimed pari-mutuel tickets shall be paid to a welfare fund established by the horsemen's organization contracting with the association with respect to the conduct of the racing meeting for the benefit of the horsemen, and the said organization shall make an accounting to the Board within one calendar year of the receipt of such payment. During fiscal year 2010-11, the distribution to the welfare funds was \$1,030,119.

2. The other 50 percent of live races unclaimed pari-mutuel tickets shall be divided equally between the association (as commissions) and horsemen (in the form of purses). Notwithstanding the distribution of live races unclaimed tickets, unclaimed ticket monies generated by wagering on intrastate (north/south) thoroughbred and fair races and interstate imports are split equally between purses and commissions. During fiscal year 2010-11, the tracks and the horsemen each received \$1,745,071.

3. Unclaimed refunds totaled \$873,242 for FY 2010-11. Unclaimed refunds provide health and welfare benefits to California licensed jockeys, former California licensed jockeys, and their dependents. The California Jockey Welfare Corporation is the organization designated by the CHRB to receive these funds.

Statement of Distribution by Fund of Horse Racing

July 1, 2010 through June 30, 2011

	Detail	Total
Revenue To Horse Racing Fund		
License Fees — CHRB Support	\$ 11,220,763	
ADW License Fees — CHRB Support	513,237	
Surplus Money Investment Fund	2,312	
Escheat Uncashed/Unclaimed Checks/Warrants	79	
Total 3153 Fund		\$11,736,391
Revenue To General Fund		
Horse racing licenses	5,712	
Fines & Penalties	254,860	
Occupational Licenses	890,981	
Miscellaneous Income	5,260	
Total General Fund		1,156,813
Veterinary Diagnostic Laboratory		1,585,450
Total Revenue		\$14,478,654

Occupational Licenses and Fees

July 1, 2010, through June 30, 2011

Type of License	Fee	Issued	Total
Stable	\$300	260	\$78,000
Multiple Ownership*	300	4	1,200
Horse Owner-Open Claim	250	6	1,500
Officer/Director/Partner**	150-200	149	23,800
Horse Owner**	150-250	3,242	487,700
Trainer, Assistant Trainer***	150	323	48,450
Harness Horse Driver***	150	36	4,400
Jockey/Apprentice Jockey***	150	105	15,750
Jockey Agent	150	33	4,950
Bloodstock Agent	150	11	1,650
Veterinarian	150	42	6,300
Association Employee	75	177	13,275
Valet/Custodian/Attendant	75	4	300
Pari-mutuel Employee/Tote	75	489	36,675
Horseshoer	75	37	2,775
Exercise Rider/Pony Rider***	75	335	25,125
Misc. Employee/Stable Agent Vendor**	35-75	312	21,640
Security Guard	75	126	9,450
Stable Foreman	75	80	6,000
Authorized Agent	25	480	12,000
Replacement License	15	257	3,855
Annual Groom/Stable Employee (Original)***	35	337	11,795
Annual Groom/Stable Employee (Renewal)**	20-35	1,466	31,120
Total fees generated to General Fund			\$847,710

All licenses are issued for three years except those for groom and stable employee licenses, which are annual licenses.

* Includes partnership registrations

**Variable fee

***Includes reduced license fees

Other Public Revenues

In addition to revenues collected from horse-racing meetings by the Board, other public revenues are derived from horse-race meetings in California.

During the FY 2010-11, there were 1,764 horses “claimed” at authorized race meetings.

The “claiming” of a racehorse is in effect a sale of the horse at a designated price (as established by the conditions of the race) to a qualified person who submits a “claim” for the horse at least 15 minutes prior to the race in which the owner of the racehorse established the competitive value of the horse.

For example, in a claiming race where the claiming price is established by the racing secretary as \$10,000, an owner of a horse may enter the horse in the race if willing to lose the horse to another owner (or qualified person) for the price of \$10,000.

An owner who over-values the horse will find competition in the race too severe and will not win a purse — but probably retain the horse; the owner who under-values the horse may well win a purse — but in all probability lose title to the horse

to a successful claimant. Thus, it is the owner who establishes the true competitive value of a horse in a claiming race.

Inasmuch as the claim of a horse is in fact a purchase, state sales tax is collected on the amount of the claim. During the FY 2010-11, the total amount paid for claiming of horses was \$20,213,875, resulting in sales tax revenues of \$2,014,792.

Chapter 1202, Statutes of 1982, changed the existing provisions for local license fees and admission taxes. This statute authorizes every racing association or fair to elect permanently to deduct up to 0.33 of 1 percent from all pari-mutuel pools and to distribute the amounts to the city or county where the racing meeting is held if the city or county passes an ordinance to accept such fees in lieu of admission taxes and license fees.

During the FY 2010-11, \$4 million was distributed to local governments under this provision.

Track Commissions

Under the system known as pari-mutuel wagering, the racing association acts as the stakeholder for all wagers, deducting from each pari-mutuel wagering pool the statutory “takeout,” which includes the state license fee, the percent-

age deduction for purses, and the track’s commission. Commissions retained by California racing associations during FY 2010-11 totaled \$119,907,554.

Purses

As with track operators’ commissions, the purses for race meetings are determined by the rate schedules, or in some cases by agreement with the racing association.

Purses for California race meetings during FY 2010-11 totaled \$128,828,217. In addition, \$10,303,673 was paid out as California-bred incentives.

In order for the individual racing associations to establish their daily purse structure for their race meetings, the associations must first make a projection of the amount of pari-mutuel wagers they expect to handle.

The actual purses to be paid for any one race, or for the day’s races, initially are determined by the racing secretary’s projections of handle, then must be revised during the course of the race meeting based on actual handle. The racing association must also conclude an agreement with the respective horsemen’s organization representing the horsemen at each meeting in order to establish the percentage of the total purses that may be used for stakes races.

Statistics For Horses Claimed

July 1, 2010 to June 30, 2011

Track Location	Horses Claimed	Amount Paid	Sales Tax
Thoroughbred Meetings — Northern			
Golden Gate	281	\$2,789,500	\$271,976
Thoroughbred Meetings-Central-Southern			
Del Mar	141	\$3,635,500	\$318,106
Oak Tree	44	943,000	96,657
Hollywood Park	188	4,090,500	419,276
Santa Anita	217	5,434,000	529,815
Harness Meetings-Statewide			
Cal Expo	90	\$369,375	\$32,320
Quarter-Horse Meetings-Statewide			
Los Alamitos	749	\$3,048,800	\$266,720
Fair and Mixed Meetings-Statewide			
Pleasanton	21	\$203,500	\$19,841
Santa Rosa	23	177,900	16,456
State Fair	14	113,000	9,888
Stockton	4	17,000	1,530
Ferndale	0	0	0
Pomona	27	278,500	27,154
Fresno	9	56,300	5,053
Grand Total	1,808	\$21,156,875	\$2,014,792

Authorized Horse Sales

The CHRB each year authorizes sales for racehorses or breeding stock used in the production of racehorses when such sales are conducted on the premises of a racing association. During FY 2010-11, there were 1,180 horses sold for a total of \$19,061,100. These sales generated a total of \$611,553 in sales tax. Prospective purchasers may review the reported medication record of any horse offered for sale, and purchasers of a horse may request a verifying blood test for horses bought.

The following sales were authorized in FY 2010-11:

Barretts Equine Ltd. Thoroughbred Sales at Fairplex Park

- | | |
|-----------------------------|----------------|
| 1. Wygod Breeding Dispersal | October 12 |
| 2. California Yearling Sale | October 12, 13 |
| 3. January Mixed Sale | January 24 |
| 4. March Two-Year-Olds | March 21 |
| 5. Spring Two-Year Olds | May 16 |

A total of 632 horses was sold for \$12,643,900, which generated \$519,533 in sales tax.

California Thoroughbred Breeders Association Sales

- | | |
|--------------------------|-----------|
| 1. Nor-Cal Yearling Sale | August 17 |
|--------------------------|-----------|

A total of 82 horses was sold for a total of \$357,400, which generated \$18,350 in sales tax.

Quarter-Horse Sales At Los Alamitos

- | | |
|-----------------------------|-----------|
| 1. Los Alamitos Equine Sale | Oct. 2, 3 |
|-----------------------------|-----------|

A total of 466 horses was sold for \$6,059,800, which generated \$73,670 in sales tax.

California Horse Breeding Programs

The Horse Racing Law provides incentives for the breeding and owning of California-bred horses. A principal and explicitly stated intent of the law is to encourage agriculture and the breeding of horses.

Every association licensed to conduct a horse-racing meeting in California must provide, each racing day, for the running of at least one race limited to California-bred horses, provided those races can attract a sufficient number of qualified entrants.

An award based on the first, second, and third-place money of any purse won in any race run in California is paid to the breeder of the winning or placing California-bred horse. A further incentive to own a California-bred horse is provided by owners premiums. Owners premiums are distributed to persons owning California-bred horses that are in allowance races with a purse over \$15,000 and claiming races having a total purse value of certain qualifying amounts.

Additionally, stallion awards are issued to owners of qualified thoroughbred stallions standing in California whose progeny win races in California having a certain qualifying gross purse. A breeders award is also paid for a California-bred thoroughbred when the horse wins a graded stakes race outside the state.

These California breeders programs and distribution of awards and premiums are administered by the recognized California breeders organizations of the various breeds.

Thoroughbred Breeders Programs

The California Thoroughbred Breeders Association administers the California-bred awards, owners premiums, and stallion awards for thoroughbreds. In addition, the CTBA supervises the California-bred race fund, which has supplemented the very successful California Cup program each year since 1990. In FY 2010-11, \$780,564 was generated as owners premiums and \$10,303,673 for the breeders program.

At California thoroughbred race meetings, the amount of 0.54 percent on track and 0.54 percent off track of all pari-mutuel pools is deducted as takeout and transferred to the CTBA for distribution. A further amount equal to .07 percent of the handle is specified for owners premiums and transferred to the CTBA for distribution.

During FY 2010-11, \$9,295,363 was generated from the wagering handle. The CTBA is authorized to deduct 5 percent for administrative overhead and expenses, including education, promotion, and research.

Standardbred Breeders Programs

The California Standardbred Sires Stakes Committee, Inc., a California non-profit public benefit corporation, administers the Standardbred Breeders Program. The Sires Stakes Committee is authorized to deduct expenses (not to exceed 4 percent of funds generated) for administering the Standardbred Breeders Program. The program is funded from the breakage at harness meetings and an additional 1 percent takeout on all exotic wagering at harness meetings. In FY 2010-11, the program generated \$584,197.

Quarter-Horse Breeders Program

Pacific Coast Quarter Horse Racing Association, as the recognized breeders organization, received \$387,957 from the pari-mutuel handle to fund its program in FY 2010-11. The source of these funds was 0.48 percent of the on-track and 0.48 percent of the off-track handle on quarter-horse racing at the fair race meetings, 0.4 percent of the handle at quarter-horse race meetings, and a proportional payment of the monies required by the state, the association, and the horsemen.

Paint Breeders Program

The paint breeders awards received \$643 for the breeders program in FY 2010-11. No paints ran in California. This revenue came from ADW wagers.

Arabian Breeders Program

The California Arabian horse breeders awards received \$17,774 for the program during FY 2010-11.

Mule Breeders Program

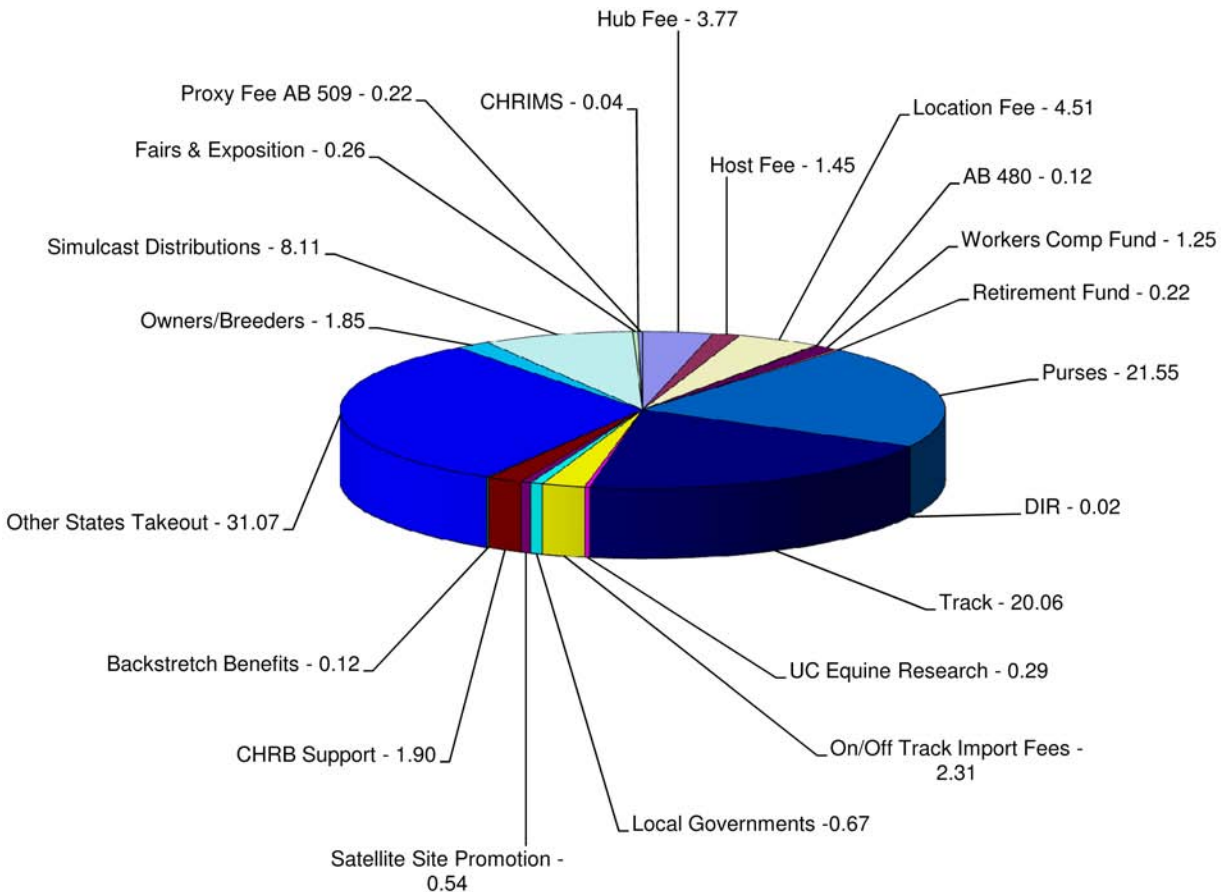
The California mule breeders awards received \$17,727 for the program during FY 2010-11.

Appaloosa Breeders Program

The California Appaloosa breeders awards received \$12 for the program during FY 2010-11.

The Revenue Stream

The Takeout Dollar in California: Where It Goes and How It's Used



A total of \$2,903,905,682 was wagered by fans of California racing during FY 2010-11, and of that money 79 percent (\$2,304,177,156) was returned to winning ticket holders.

Prior to simulcast wagering in 1985, virtually all of the wagering on California's races was at the track, but today "on-track" bets make up only 14.1 percent of wagers placed (\$410 million). Off-track betting within the state provides 28.1 percent of the handle (\$816 million). The balance comes from out-of-state and Advance Deposit Wagers (totaling \$1,677 billion). ADW accounted for \$613,045,548 of that handle.

Patrons failed to cash \$4.5 million worth of winning tickets. By law, money from uncashed tickets, except

for fairs, is split evenly between a welfare fund for the benefit of backstretch employees and the CHRB for race-track security and research. Money from uncashed tickets at fairs is turned over to the state's General Fund.

Similarly, money from unredeemed vouchers issued by tracks for use by racing patrons at track self-serve betting machines is used to finance the horse-racing revenue database called the California Horse Racing Information Management System (CHRIMS).

Breakage, a byproduct of the pari-mutuel calculation, is distributed to the state, to purses, and to the racing associations. This totaled \$6,386,727 in FY 2010-11.

Of the \$2.9 billion wagered, \$59.9 million, or 21 percent, was withheld as the "takeout" for such purposes as horsemen's purses, racetrack operations, and government taxation, as follows on the next page:

Horsemen's Purses

A total of \$128,828,217 million was distributed last year in the form of purses. This money went to the owners of the horses, the jockeys, the trainers, and through them to the backstretch employees.

Portions of the purse money also went to the organizations that represent owners and other horsemen.

Track Commissions

The racetracks and fairs that host the racing programs collected a total of \$119 million in commissions. Much of that money went toward the cost of operations, such as rent or mortgages and labor costs, of which pari-mutuel clerks represent a large part. The racetracks also are responsible for marketing the sport — for advertising, promotions, and other forms of publicity.

CHRB Support

The allocation of the California Horse Racing Board budget (\$11,734,000) comes from the horse-racing industry through the yearly budget process conducted by the State Legislature. This allocation is used to fund the Horse Racing Board's mission of overseeing the horse-racing industry on behalf of the state and the California public.

Incentive Awards

One of the most important uses of horse-racing revenue is for incentive awards, which promote the agricultural program in California by encouraging horse breeding. Last year \$10,303,673 in awards were divided between programs for thoroughbreds (\$9,295,363), standardbreds (\$584,197), quarter horses (\$387,957), paints (\$643), Arabians (\$17,774), mules (\$17,727), and Appaloosas (\$12).

Local Government

For those local municipalities who elect to participate, an additional 0.33 of 1 percent is withheld from the handle to reimburse communities for costs incurred due to traffic control, security, and other expenditures resulting from horse-racing events. Last year \$4.6 million was withheld for this purpose.

Host Fees

Host fees are negotiated for mandated payments to producers of live horse racing imported by tracks via satellite and offered to the betting public in conjunction with a California track's live racing program. Last year, California tracks paid \$13.7 million to out-of-state hosts.

Interstate Wagering Fees

Interstate wagering fees are "takeout" deductions from wagers made on California racing by racing fans at off-track betting systems outside of the California borders. These deductions in other states amounted to \$165 million.

Equine Research

A mandated deduction goes to the University of California for equine research. Last year the total for equine research was \$1.7 million.

Simulcast Fees

Simulcast fees are deducted from the off-track handle at California simulcast facilities and are distributed in proportion to each facility's handle. This revenue goes to the Stabling and Vanning Fund to offset the cost of off-site stabling and transporting horses to the track, to the Promotion Fund to be used for the promotion of horse racing, to the Expense Fund for the purpose of offsetting the costs of simulcast broadcasting, and to guest commissions. A guest site is the term used for an authorized off-track betting system, or simulcast facility, that is an authorized recipient of a live horse race.

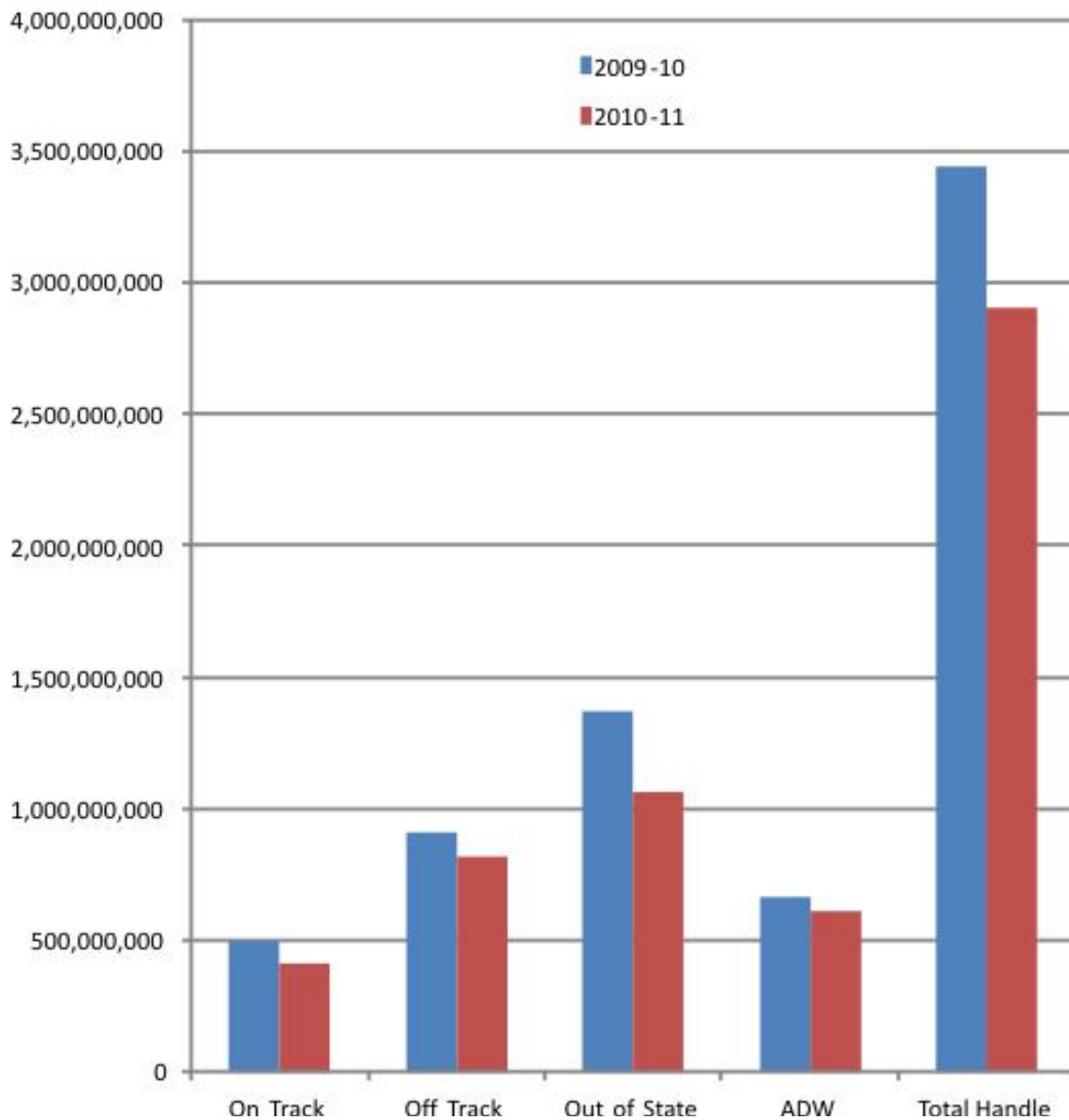
These funds received a total of \$64 million last year:

Stable and Vanning Fund:	\$9.9 million
Promotion Fund:	\$3.2 million
Expense Fund:	\$31.8 million
Guest Site Fees:	\$18.9 million

Retirement and Welfare

ADW Retirement and Welfare Plans received \$1,312,754 for FY 2010-11. These funds supplement the backstretch personnel pension plan and provide welfare benefits for horsemen and backstretch personnel.

Sources of Handle Fiscal Years 2009-10 and 2010-11



The on-track handle represents wagers at the host track. For FY 2010-11, on-track wagers accounted for 14.13 percent of the total handle. Off-track handle represents wagering at California simulcast locations and accounted for 28.11 percent of the total. Out-of-state handle represents commingled wagers from other US and international sites. Out-of-state wagers accounted for 36.64 percent of the total. Advance Deposit Wagering (ADW) represents the handle generated through the four licensed California ADW companies. The ADW handle accounted for 21.11 percent of the total.

The Horsemen's Organizations Welfare Funds

The Horse Racing Law provides that 50 percent of the unclaimed redistributable money in pari-mutuel pools (uncashed pari-mutuel ticket amounts) resulting from thoroughbred, harness, or quarter-horse race meetings be paid to the welfare fund established by the horsemen's organization contracting with the association for the conduct of the race meeting for the benefit of horsemen. These funds are registered with the Registry of Charitable Trusts of the Office of the Attorney General. The two horsemen's organizations have established and maintain the following welfare funds:

The California Thoroughbred Horsemen's Foundation, Inc.

285 W. Huntington Drive
P. O. Box 660129
Arcadia CA 91006
(Registry of Charitable Trusts
No. 4833)

Quarter Horse Benevolent Charity Foundation

11278 Los Alamitos Blvd., Suite 243
Los Alamitos, CA 90720
(Registry of Charitable Trusts No. CT 18221)

Each of the foregoing welfare funds have a state tax-exempt status under the provisions of Section 23701 of the Revenue and Taxation Code.

The California Horsemen's Organizations

The CHRB determines the organizations to represent California horsemen with respect to each breed. The Board requires annual audits of their financial reports.

The following horsemen's organizations were recognized by the Board during the last fiscal year: Thoroughbred Owners of California for thoroughbred owners, California Thoroughbred Trainers for thoroughbred trainers, California

Harness Horsemen's Association for harness horsemen, Pacific Coast Quarter Horse Racing Association for quarter horsemen, and the Arabian Racing Association of California for Arabian horsemen.

Audited Expenses of California Horsemen's Organizations

The information regarding the expenditures of these organizations is only one portion of the total audited financial statements submitted to the California Horse Racing Board. Persons wishing to obtain a copy of the complete audited

financial statements of a horsemen's organization can do so by contacting the CHRB's headquarters offices in Sacramento.

Audited Financial Statements of California Horse Racing Industry

The CHRB is charged with recognizing a number of horse-racing industry participants. The Board's recognition entitles industry participants to receive statutory distributions from the takeout. Further, pursuant to Business and Professions Code Section 19440.5 and requirements outlined in the horse race meet application, the Board requires the recognized industry participants to annually file with the CHRB its audited financial statements. The table below lists the organizations and its respective last audit report received by the CHRB.

Horsemen's Associations

Last Audit Report

Pacific Coast Quarter Horse Racing Association	2008
American Mule Racing Association	2010
California Thoroughbred Horsemen's Foundation	2011
California Harness Horsemen's Association	2004
Arabian Racing Association of California	2009

Administrative Funds

CHRIMS	2009
California Marketing Committee - CMC	2010
California Thoroughbred Business League	2009
Northern California Off-Track Wagering (NOTWINC)	2008
Southern California Off-Track Wagering (SCOTWINC)	2010
California Thoroughbred Breeders Association	2010
California Thoroughbred Trainers	2010
Thoroughbred Owners of California	2011
Quarter Horse Racing, Inc. & Subsidiaries	2010
Disabled Jockeys' Endowment	2007
California Jockeys' Welfare Corp	2009
Quarter Horse Benevolent Charity Foundation	2011
California Standardbred Sires Stakes Committee	2007
California Retirement Management Account, Inc	2008

Racing Associations

Hollywood Park Racing Association	2009
Oak Tree Racing Association	2009
Pacific Racing Association (GGF)	2010
Del Mar Thoroughbred Club	2010
CARF	2008
Los Angeles Turf Club	2010

ADW Companies

TVG	2009
Twin Spires ADW	2008
Youbet.com	2008
Magna Entertainment Corp. (GGF/Santa Anita/ExpressBet)	2010